Musical chairmen
All change for France's political appointees
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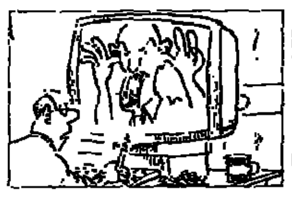

Software secrets
Battle rages over US computer data security
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Where Japan's new PM is coming from
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Chinese medicine
The bumpy road to economic stability

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY AUGUST 5 1993 D8523A

Rhône-Poulenc chief warns of 10% profit fall

Rhône-Poulenc, French chemicals group and one of the companies which will spearhead the government's privatisation programme, yesterday warned of a fall in profits for the first half of 1993 and for the year as a whole. Chairman Jean-Rene Fourtou said the group's first-half net profits were expected to be about 10 per cent down on the FFr1.55bn ($260m) reported for the same period last year. The share price fell from FFr159 to FFr154. Page 11

News Corporation plans to raise about A$500m ($338m) through an issue of convertible preference shares to help pay for the acquisition of a 63.6 per cent stake in Star TV, Hong Kong-based satellite TV company. Page 11

Midland Bank seeks lending opportunities

Midland Bank, UK subsidiary of HSBC Holdings, reported half-year pre-tax profits of £385m against £60m in the same period last year despite persistent bad debt provisions. Chairman Sir Peter Walters (left), said the bank was now able to take advantage of any rise in domestic lending. The banks was "actively pursuing" opportunities to lend. Page 12; Lex, Page 10

Hurd to heal rifts over Europe: UK government ministers have launched a concerted attempt, led by foreign secretary Douglas Hurd, to heal Conservative party wounds over Europe ahead of next year's European parliament elections. Page 5

Go-ahead likely for N-plant: The UK government said it was "minded" to give the go-ahead to the £2.8bn Thorp nuclear reprocessing plant at Sellafield in northern England. Page 10; Details, Page 5

Timeshare law may be tightened: The Isle of Man, the legal jurisdiction for many European Community timeshare contracts, is considering a law which will shorten the period during which buyers can cancel their contracts. Page 5

Jaguar, UK luxury carmaker, increased its sales in the US – its most important market worldwide – by 29.7 per cent in the first seven months of the year to 6,823 from 5,266 a year ago. Page 5

BT signs deal on switching gear: British Telecommunications has signed contracts with AT&T of the US and Alcatel of France, to test equipment that could lead to the next generation of advanced switching systems. Page 5

Steelmakers seek new coal pact: Negotiations have begun between German steel producers and Ruhrkohle, which produces 80 per cent of the country's coking coal, which could radically change an agreement committing German steel producers to buy all their coking coal from high-price domestic producers. Page 2

French government challenged: France's constitutional watchdog challenged the government's legislation to make the Bank of France independent. Page 2

Honda chooses UK partner: Honda Engineering, part of the Japanese motor group, has chosen Stadco of the UK to help it make systems for automotive components manufacture in Europe. Page 4

Glynwed International, UK metals and plastics processing group, achieved an 18.8 per cent improvement in first half pre-tax profits to £18.3m, its fourth consecutive half of improved results. Page 16

Index-linked bonds spread: The strength of the UK's index-linked gilts market has prompted other countries to consider issuing government bonds linked to their inflation rate. Page 11

In Shops, Birmingham-based property group, is acquiring the Milbank Foods chain for £8.15m, ($12.1m) but is seeking a buyer for its Executive Centres serviced offices subsidiary. Page 17

Stolen Kuwaiti antiques found: Part of a private collection of antiques worth millions of dollars taken from Kuwait by the Iraqis during their seven-month occupation of the emirate has turned up at Sotheby's, the international art dealers, in London. Page 10

STOCK MARKET INDICES

FT-SE 100:	2941.3	(-3.7)
Yield	3.9	
FT-SE Eurotrack 100	1268.09	(+6.20)
FT-A All-Share	1458.84	(-0.0%)
Nikkei	20,497.55	(+139.91)
New York lunchtime		
Dow Jones Ind Ave	3556.52	(-4.75)
S&P Composite	448.76	(-0.51)

US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.137%
Long Bond	107$\frac{31}{32}$
Yield	6.534%

LONDON MONEY

3-mo Interbank	5⅞%	(same)
Liffe long gilt future:	Sep 110⅜	(Sep110$\frac{11}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Sept)	$16.75	(16.6)

Gold

New York Comex (Aug)	$399.2	(403.4)
London	$401.5	(403.65)

STERLING

New York lunchtime:		
$	1.5001	
London:		
$	1.501	(1.5045)
DM	2.5675	(2.565)
FFr	8.9	(8.94)
SFr	2.2625	(2.26)
Y	157.25	(157)
£ Index	81.7	(81.8)

DOLLAR

New York lunchtime:		
DM	1.71065	
FFr	5.392	
SFr	1.5065	
Y	104.855	
London:		
DM	1.7105	(1.705)
FFr	5.93	(5.9425)
SFr	1.5085	(1.502)
Y	104.8	(104.4)
$ Index	65.7	(65.6)

Tokyo close Y 104.85

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT230
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.30	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs36	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils 600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

VW summons directors to crisis meeting

By Christopher Parkes in Frankfurt

VOLKSWAGEN directors with the power to hire and fire its top management have been summoned to a meeting tomorrow to discuss spying allegations against senior executives and worries that the group will record a loss this year.

A company spokesman said there was no reason to suggest that the job of the production director, Mr José Ignacio López de Arriortúa, accused by General Motors, his previous employer, of industrial espionage against it, was in doubt. The meeting is due to begin at 5pm GMT tomorrow.

News of an extraordinary sitting of the supervisory board came shortly after a statement from VW yesterday that it is to cut a further 3,000 jobs in Germany by the end of 1994.

Earlier this year, the company said it intended to reduce the payroll at its six domestic plants by 12,500. More than 5,000 workers have gone since then, and a further 10,000 jobs will disappear in the next 17 months.

Analysts said the group faced a loss of at least DM700m ($407m) this year. Observers calculate turnover could fall by 10 per cent this year, while VW's own profit forecasts are based on a decline of 5 per cent – a target which company officials describe privately as "over-optimistic".

"It is clear that our earnings forecast cannot be attained if the drop in sales is larger," Mr Ferdinand Piëch, group chairman, said in an interview.

He drew fire last week from politicians and business leaders for a clumsy attack on GM with xenophobic overtones. His attempts to fight back in what he calls a "war" with GM and its German subsidiary Adam Opel led to accusations that he was damaging Germany's reputation. Mr Günter Rexrodt, economics minister, intervened personally with an offer to mediate.

The VW supervisory board, including representatives of Germany's leading banks, unions and the state of Lower Saxony, which owns almost 20 per cent, has so far been solidly behind Mr Piëch and his team.

A recent meeting between a small group of management and supervisory board directors decided that it would withdraw support for Mr López only if he were ultimately found guilty.

Mr Piëch, who has unequivocally bound his fate to that of his Spanish colleague, is expected to tell the meeting tomorrow evening of Mr López's "stupendous performance" so far, a spokesman said.

The group's North American subsidiary said yesterday that sales of Volkswagen cars in the US last month were down 46 per cent on July last year. With total deliveries to customers of 25,000 vehicles, sales in the first seven months of the year had fallen 48 per cent.

● Mercedes-Benz said its July sales in the US were up 45 per cent. In the year to the end of last month sales were down 12.6 per cent at 34,590.

Foreign exchange dealers taken by surprise

Weaker ERM currencies rise against D-Mark

By James Blitz in London and John Ridding in Paris

THE French franc, Belgian franc and Danish krone rose sharply against the D-Mark yesterday after the countries' respective central banks kept the cost of borrowing their currencies at extremely high levels in the more relaxed conditions of the European exchange rate mechanism.

In price movements which astonished many currency dealers, the French franc gained more than 5 centimes against the D-Mark in London trading, while the Belgian franc closed in London inside its old ERM fluctuation band.

In New York yesterday, the Danish krone was trading at DKr3.9316 to the D-Mark, close to its old ERM floor against the German currency of DKr3.9016.

There was no indication yesterday that the three central banks were acting in concert to support their currencies against the D-Mark, or that they had established any informal exchange rate targets.

Several dealers in London said the move had taken the foreign exchange markets by surprise, and may have brought heavy losses to banks and to speculative hedge funds which had sold these currencies in the expectation of interest rate cuts.

"A lot of our dealers and customers do not know what is going on in the market right now," said the head of sales at one of London's leading commercial banks.

Other market operators took a more relaxed view of yesterday's events, saying that trading had been comparatively thin.

In Paris, there was no indication whether the authorities were aiming to maintain the franc's exchange rate against the D-Mark or whether interest rates would be cut today in the Bank of France's regular money market operation.

Mr Edouard Balladur, the French prime minister, yesterday however reaffirmed the French government's commitment to the stability of the franc and to monetary discipline following the easing of the French franc's link with the D-Mark in the ERM.

"Nothing that has happened leads me to think that there can be less financial discipline," the prime minister was reported as saying by an official spokesman, after he had met government ministers.

Yesterday's sharp decline in the value of the D-Mark was due mainly to the cost of borrowing funds in the money markets of France, Denmark and Belgium.

The cost of borrowing French francs for one day hovered at about 12 per cent yesterday, partly as the Bank of France had not restored a portion of the French francs removed from the market when intervening in the currency's support last week.

The French franc peaked at FFr3.4500 to the D-Mark at one stage, close to its old ERM floor of FFr3.4305. It later fell back to close at FFr3.466.

The D-Mark's decline also helped to push the dollar up in European trading, and the US currency gained more than ½ a pfennig against the D-Mark to close at DM1.7105. Sterling rose ¼ pfennig on the day to close at DM2.5675.

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Reuter

Time out: Bosnian President Alija Izetbegovic on arrival in Geneva. His return to the peace talks hinged on Serb forces complying with a deadline to withdraw from key mountains around Sarajevo Page 10

Japan's LDP set to give up power for first time

By Robert Thomson in Tokyo

HOLED UP in a Tokyo hotel, Mr Morihiro Hosokawa, Japan's prime minister designate, granted audiences to a passing parade of politicians, and furiously worked the telephone in an attempt to put names to places in the cabinet that is expected to take power today.

In government buildings not far away, officials of the ruling Liberal Democratic party, resigned to at least a few months in opposition, were clearing desks and moving potted plants in preparation for a role alien to a party which thought it had a permanent lease on power.

Unless the seven-party coalition crumbles unexpectedly, the LDP will be formally removed from office today at a special parliamentary sitting, which will select a new prime minister and prove to a still disbelieving populace that Japanese politics has entered a new era.

If the choice of cabinet members is an indication of politicking to come, coalition government will provide some surprises. It was rumoured for much of yesterday that Mr Akio Morita, chairman of Sony, the consumer electronics company, would be foreign minister, though the odds were lengthening early today.

"Mr Morita has not been formally asked if he wants the job and his feeling is that he does not want it," Sony said, although Japanese politicians sometimes signal their enthusiasm by denying that they have an interest.

Leaders of most coalition parties were expected to take cabinet posts, including Mr Tsutomu Hata, leader of the Japan Renewal party, who is likely to provide a sense of continuity by becoming finance minister, a post he held when he was a member of the LDP.

Mr Sadao Yamahana, leader of the Social Democratic party, was apparently torn between resigning to take responsibility for his party's poor election performance and accepting a senior

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Italian poll likely within six months

By Haig Simonian in Milan

AN EARLY general election in Italy has become more likely following approval of crucial electoral reforms by the lower house of parliament, the Chamber of Deputies.

Yesterday's decision, which followed Senate approval late on Tuesday night, means the election will largely be fought on a majority voting system, with a small element of proportional representation.

The decisions were the final stage of a process begun after a referendum in April gave overwhelming support to a change in voting for the Senate. That provided the impetus for similar changes in the lower house.

This week's final approvals, which required both chambers of parliament to pass each other's reforms, remove one of the chief obstacles to a new election.

Voting is expected later this year or early in 1994, as parliament now has four months to draw up and approve new constituency boundaries and to pass the 1994 budget.

By the new voting arrangements, three-quarters of the seats in the upper and lower houses will be allocated via a UK-style "first past the post" system. The rest will be filled by proportional representation. Polling will take place on a single day.

The present electoral system, based purely on proportional representation, has been blamed for the fragmentation of Italian politics and the proliferation of parties.

There are 16 political groupings in parliament at present.

Electors in future will complete two voting forms for the lower house. One will be for the "first past the post" constituency-based system, and the other will express a party preference for the remaining seats.

Parties will be excluded if they win less than 4 per cent of votes nationally under the proportional system, which divides the country into 27 electoral regions.

Support for the reforms has not been unanimous. Several parties favoured either an exclusively majority voting system, or two-round voting as in France. The differences suggest that, even after the reforms, the problem of unstable governments will not be resolved immediately.

Parliament, which begins its summer recess at the end of this week, will now consider the redrawing of constituencies.

Parties pressing for an early election, such as the Northern Leagues and the (former Communist) Democratic Party of the Left, are likely to argue that the task can be accomplished in time to hold a general election before the end of the year.

Clinton takes fight on budget to Congress

By Roger Matthews in Washington

PRESIDENT Bill Clinton took the battle to win approval for his budget proposals to Capitol Hill yesterday, declaring: "I do not think the Senate will let this plan go down. I do not think they will do that to the country."

The US House of Representatives is due to vote on the compromise budget today, with the more finely balanced Senate vote due tomorrow. Under the compromise worked out by Congress the budget deficit will be reduced by $496bn over the next five years. This will be achieved by raising more than $243bn in new taxes and cutting about $253bn in spending.

Asked if he was going to win, the president would only say: "I hope so." Defeat would represent a severe setback for Mr Clinton and his administration's hopes.

Mr Al Gore, the vice-president, whose casting vote was needed to get the original budget bill through the Senate, said yesterday: "One way or another, this bill is going through."

To blunt Republican complaints that higher income tax for the country's top earners

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هكذا من الأصل

German steel groups seek easing of coal supply pact

By Ariane Genillard in Bonn

NEGOTIATIONS have begun which could radically change an agreement committing German steel producers to buy all their coking coal from high-price domestic producers.

Thyssen, Krupp-Hoesch, Mannesmann and Preussag, Germany's largest steel-makers, are discussing with Ruhrkohle, which produces 80 per cent of the country's coking coal, a partial lifting of a 1991 contract compelling them to buy from domestic sources.

The talks follow a Duisburg court ruling allowing Klöckner-Werke, the steelmaker recently rescued from bankruptcy, to use imported coke, which is 30 per cent cheaper, for 30 per cent of its needs.

Thyssen and Krupp-Hoesch argue that the ruling effectively invalidates the purchasing agreement which sought to ensure the survival and gradual restructuring of the heavily-subsidised German mines by 2005.

They say they are no longer legally obliged to abide by the contract which stipulates that all signatories must be granted the same purchasing conditions. "We are cannot accept that a competitor is allowed to buy cheaper coal and stand by doing nothing," a Thyssen official said.

Ruhrkohle, whose unsold stocks of coal and coke rose by 3.5m tonnes last year because of declining orders from the recession-hit steel industry, said the negotiations could jeopardise a further 2m tonnes of coal a year.

Ruhrkohle's unsold stocks of coal and coke rose by 3.5m tonnes last year because of declining orders from the recession-hit steel industry

Klöckner-Werke won backing in June from its creditors, including the European Commission, for a debt write-off scheme despite warnings by other steel-makers that it would affect the entire German steel and coal industry.

Steel industry sources said the solution might be for Ruhrkohle to keep its monopoly but to sell 30 per cent of its output at import prices.

Such a move could give a large boost to the competitiveness of German steelmakers, which complain that the system puts them at a disadvantage against foreign producers.

Thyssen, the largest company, produces half its own coke, buying the rest from Ruhrkohle. But Krupp-Hoesch, the newly-merged steel giant, will shortly rely entirely on coke from Ruhrkohle after it closes its coking plant in Rheinhausen later this month.

An official at Ruhrkohle, which is owned by steel and utilities groups, warned that lower prices would accelerate the closing of mines and loss of jobs. It is already planning 20,000 redundancies in the next two years after cutting 7,300 jobs in 1992.

"We are all in the red. We have to find a common solution to get out of the crisis," he said.

The closure of additional mines is likely to cause significant embarrassment to government officials in Bonn and in the state of North Rhine Westphalia, where most of the west German mines are located.

Talks this year on the mines' future and their financing have so far proved fruitless. Utilities groups, which are also obliged to buy locally-produced coal, have joined forces with the steel industry in calling for a rethink of the government's plan for the coal industry.

But progress on such politically sensitive issues have been hampered by the prospect of regional and federal elections next year.

Associated Press

Thousands of grief-stricken Belgians lined the streets of Brussels yesterday in silent tribute to King Baudouin as his cortege wound its way towards the royal palace in the heart of the city where he will lie in state before being buried on Saturday

Ethnic carve-up a backward step, insists Izetbegovic

By Laura Silber in Geneva

HOPES are receding that the dream of a tolerant, multi-ethnic Bosnia can be maintained in the face of intensified fighting and the apparent willingness of the international community to countenance the ethnic carve-up of the country at the Geneva peace talks.

Bosnian Moslem President Alija Izetbegovic yesterday publicly acknowledged the defeat of a multi-ethnic Bosnia, and reluctantly admitted that a tripartite division of Bosnia is inevitable, "because it will give Moslems a Bosnian state. For the moment the idea of a multi-ethnic Bosnia is dead. Future generations can hope for such a state. But only after they have sobered up from their state of drunkeness," he told Radio Sarajevo. "While other countries are moving towards multi-ethnicity we have taken a step backwards."

Events this week have highlighted the fears of Bosnian Moslems, Croats and Serbs that what remains of the multi-ethnic fabric of the country is fast disappearing. The current Moslem offensive on Croat-held towns in central Bosnia has followed an earlier land grab by Serb forces, and Croat troops to tighten their stranglehold over what remains of Bosnia.

The fighting prompted Croat members of the Bosnian presidency, whose true allegiances may be with Croat nationalists, to withdraw from the ten-member body in protest against the attacks by Moslem forces on Croat troops and civilians. Mr Miro Lasic, a Croat member of the presidency, said that "even in Sarajevo, Croats literally disappear from the streets. Serbs, too, as well as urban Moslems."

Mr Miro Lazovic, a Serb member of the Bosnian presidency, warns that in the event of the republic's partition over one million people will cross ethnic lines, fearing for their fate after 16 months of war.

Mr Lazovic, a member of Bosnia's wartime presidency which includes representatives of the republic's three main ethnic groups, is struggling to preserve a state which has been mostly anihilated by Serb and Croat territorial ambitions.

Serb leaders of the self-styled Srpska Republika have already created their ethnic state, by killing or expelling hundreds of thousands of Moslems from about 70 per cent of Bosnia.

Croat nationalists have also hammered out the borders of their own mini-state, which over the last week has shrunk during the Moslem offensive.

The ethnic division of Bosnia will effectively punish non-nationalist Serbs and Croats, who will be left without a country. They are now wondering what will happen to their families.

Mr Nijaz Durakovic, a Moslem opposition deputy who is married to a Serb, says: "The international community's goal was to stop the war, not to divide up Bosnia."

Yeltsin says monetary reform badly prepared

RUSSIAN President Boris Yeltsin said yesterday that a controversial monetary reform was in general a good idea but its implementation had been badly prepared, Reuter reports from Oryol, Russia.

Mr Yeltsin told second world war veterans in the southern city of Oryol that discord between the central bank and finance ministry were to blame for the rouble reform fiasco and promised a thorough investigation into how it had been worked out.

"On the whole, the bank's decision is understandable," he said, adding that the large number of different banknotes in circulation had whipped up inflation and helped crime. But, he added: "Now it is clear to what extent the decision was badly thought out. We are looking into every aspect of how this decision was prepared and taken and we will draw serious conclusions."

The central bank announced its decision late last month to withdraw pre-1993 roubles from circulation as Mr Yeltsin was returning from holiday to face parliamentary opponents.

The move, imposing tough restrictions on the amounts of old banknotes Russians could change into new money and the limited time frame in which they had to do it, triggered public outrage.

Leyla Boulton adds: The Association of Russian Banks yesterday said it had asked the Constitutional Court to examine the central bank's botched monetary reform.

French bank proposal challenged

By John Ridding in Paris

FRANCE'S constitutional council has challenged government legislation to make the Bank of France independent, ruling that important parts of the law cannot be enforced until the Maastricht treaty on European union comes into effect.

However, the government yesterday played down the ruling, saying that the treaty should be ratified by all 12 European Community members by the end of the autumn. It would reintroduce the legislation then.

"We will introduce the law in identical form to the initial text," said an official at the economy ministry. He added that the council ruling would not affect the timing of the implementation of the law because certain administrative procedures, in particular the formation of the central bank's governing committee, had still to be completed.

Council says independence must await passage of EC treaty

The council decided that since the French constitution granted the government responsibilities for deciding the nation's policies, parliament could not grant the Bank of France the power to determine important areas of economic policy.

It further said that parliament could not forbid the central bank to receive instructions from the government.

The French government is seeking to create an independent central bank to increase the credibility of the country's commitment to price stability.

Independence for the French bank is also an important step towards the creation a European central bank as part of the process of European monetary union.

This process has suffered a setback following the widening of exchange rate bands within which currencies of the European exchange rate mechanism can fluctuate. Wider bands were agreed last weekend in Brussels following sustained attacks on the French franc and other ERM currencies.

The constitutional council's ruling is the second time in a month that it has clashed with the government. At the end of July, it ruled against a law on the reform of university education.

NEWS IN BRIEF

Ukraine warned on nuclear arms

RUSSIA yesterday urged Ukraine to reconsider its wish to retain for the time being some former Soviet missiles, saying the move threatened world stability and nuclear safety, Reuter reports from Moscow.

Interfax news agency quoted a government statement as saying Ukraine's moves to assert control over some of the nuclear arms on its territory violated its international obligations and could not be accepted by Moscow.

"This is fraught with serious consequences for world stability and safety," the statement said.

Greek privatisation bill delayed

Greek Prime Minister Constantine Mitsotakis was forced yesterday to back off from presenting a bill to privatise the state telephone company after members of his conservative party threatened to vote against the sale, Reuter reports from Athens.

Mr Mitsotakis said: "The draft bill is not ready yet and I can't tell you when it will be tabled in parliament." Earlier government officials had said the bill would be presented this week and voted on by August 12.

Macao ex-governor acquitted

Mr Carlos Melancia, former governor of Portugal's Asian colony of Macao, was acquitted of corruption charges by a Portuguese court yesterday, Reuter reports from Lisbon. It was the first major corruption trial of a political figure in Portugal since the dictatorship ended in 1974.

The state prosecutor said she would appeal against the majority verdict by two of three trial judges.

EC imposes chemical duties

The European Commission has imposed preliminary dumping duties on imports of ethanolamine from the US, AP-DJ reports from Brussels. Ethanolamine is used to make detergents.

The Commission said it would provisionally impose duties of between Ecu584 ($660) and Ecu652 a metric ton on US ethanolamine imports.

Romanian coalminers defiant

Thousands of Romanian coalminers yesterday vowed to continue a strike in the Balkan state's Jiu Valley mines until the government agreed to their pay demands, Reuter reports from Petrosani.

Mr Miron Cosma, who brought the area's 45,000 miners out on strike on Monday and has led the miners on violent marches through Bucharest over the past three years, renewed a call to Prime Minister Nicolae Vacaroiu to visit the Jiu Valley. The miners have demanded a doubling in pay, increasing basic monthly wages to up to 224,000 lei ($280), which with bonuses would give the miners up to 500,000 lei, 10 times the national average wage.

W German industrial orders fall

FIGURES released yesterday by Germany's Federal Statistics Office show west German industrial orders for June fell by 1.6 per cent compared with the previous month, writes Judy Dempsey in Berlin.

However, demand for consumer goods rose 1.5 per cent over the same period.

A statement issued by the federal economics ministry said the decline in industrial orders, greater than economists had expected, was due largely to a fall in orders for capital goods. These dropped by 3.7 per cent in June compared with May. Orders for May and June together fell in real terms by 7.3 per cent compared with the same period in 1992.

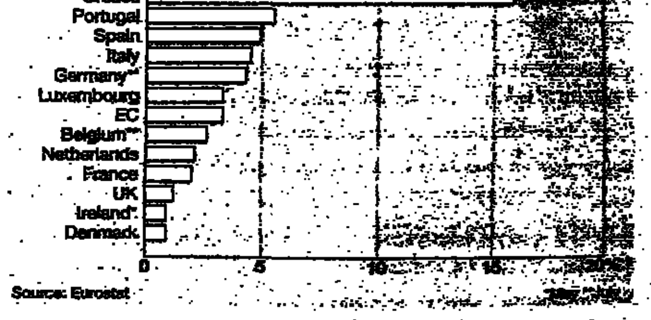
The fall in foreign orders was only slighty down, by 0.9 per cent, but economists were concerned about the possible impact the radical changes to the bands in the exchange rate mechanism would have on German exports over the next few months.

Correction

The inflation chart on page 2 in yesterday's Financial Times was incorrect. It should have read as follows:

EC inflation

Annual % change in consumer prices, June 1993



Source: Eurostat

Pressure in France for rates cut

By John Ridding

A DEBATE has begun in France's governing RPR-UDF coalition about when and how quickly to cut borrowing rates.

Some members of the Gaullist RPR, notably Mr Phillipe Séguin, the national assembly president, are believed to favour rapid action in order to capitalise on the easing of the franc/D-Mark link.

Mr Nicolas Sarkozy, government spokesman, said government and president had been in total accord over last weekend's currency crisis.

Meanwhile, Mr Günter Rexrodt, Bonn economics minister, has disputed the French view that high German interest rates caused the crisis.

In an interview with Le Monde newspaper, he pointed out that high German rates had not prevented France from reviving its economy and resolving its structural economic problems.

Delors fails to attract all commissioners to talks

By Lionel Barber in Brussels

AT LEAST three EC commissioners are not expected to attend tomorrow's emergency meeting of the European Commission to discuss the fallout from the explosion in the exchange rate mechanism.

Likely absentees among the 17-strong Commission include Mr Peter Schmidhuber, German commissioner responsible for the budget; Mr Bruce Millan, British commissioner responsible for regional aid; and Madame Christiane Scrivener, the French commissioner responsible for EC tax policy.

Mr Jacques Delors, president of the Commission, who is still suffering from sciatica at his home in Clichy, near Paris, will attend. He is said to be disappointed that his call for a special Commission session in Brussels has failed to persuade all commissioners to break holiday plans or previous engagements.

Jacques Delors: failed to persuade all commissioners to break holiday plans

Commission officials describe tomorrow afternoon's gathering as the first chance to examine economic and political consequences of the crisis which has forced the EC to abandon its system of tightly managed exchange rates.

The increased threat of currency fluctuations will have a "profound impact" on EC farm prices, a Brussels official said. For the first time in 15 years, German farmers face falling prices because of the likely upward revaluation of the D-Mark. Equally important are the implications for the 1994 budget of EC currency devaluations against the Ecu.

At least four EC commissioners, including Sir Leon Brittan, the Community's chief trade negotiator, are in France. Mr Padraig Flynn, the Irish social affairs commissioner, is in County Mayo. Mr Yannis Paleokrassis, Greek commissioner responsible for the environment, will travel from Greece. Mr Joao de Deus Pinheiro, former Portuguese foreign minister who handles information policy at the Commission, will also be present.

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Secret service scandal seizes the Czech imagination

THE indictment last week by a Prague military court of a secret service agent threatens to open a corruption scandal involving the Czech Republic's secret service, a maverick businessman and leading politicians.

All have been drawn into a web of allegations made by Mr Vaclav Wallis, a 48-year-old former member of the StB, the communist secret police. Mr Wallis is awaiting trial on charges of selling private and economic information gathered by the secret services before and after the "velvet" revolution which overthrew communism in 1989.

The scandal has been fed by a daily diet of news and "revelations" which has occupied the front pages of local newspapers since Mr Wallis's indictment, leading to intense speculation over exactly what and who are involved.

Czech television last week said these included confidential information on the government's privatisation programme, as well as potentially compromising information on the private lives of senior Czech politicians, including President Vaclav Havel and Prime Minister Vaclav Klaus.

Patrick Blum on charges of the sale of confidential information

The information is said to have been gathered by the StB, and later by the Federal Security Information Service (FBIS) established in 1991 to replace the hated StB, and collected within a special file of "Personalities in Political and Economic Life".

The FBIS itself was succeeded by a new Security Information Service (BIS) at the end of last year, not long before the break-up of the former Czechoslovakia into separate Czech and Slovak states. Critics say it continues to harbour many former employees of the FBIS and its Stalinist predecessor.

The recipient of at least part of this information was Mr Viktor Kozeny, a controversial young entrepreneur and head of Harvard Capital and Consulting (HC&C) – one of the country's largest voucher privatisation funds whose shareholdings have an estimated book value of about $600m and a market value more than double that.

Mr Kozeny admits he paid up to Kcs500,000 (£12,000) to Mr Wallis, but he says this was because Mr Wallis was blackmailing him by threatening to reveal damaging information about himself and his business.

In a statement on Tuesday, Mr Kozeny said: "I was blackmailed by a man whose real function as employee of this institution (the FBIS) was not known to me. Neither I nor Harvard Fund have anything to hide."

Mr Wallis says he supplied the information – including information gathered by the FBIS on HC&C – at Mr Kozeny's request.

According to CTK, the Czech news agency, the information was passed on to Mr Kozeny between March and December 1992. Mr Wallis was arrested on December 7 while passing information to and accepting Kcs100,000 in payment from Mr Kozeny, who had informed the FBIS.

Mr Wallis was indicted on charges of abuse of public office and divulging state secrets and faces up to 10 years in jail if found guilty. Mr Kozeny is the main witness in the case against Mr Wallis and faces no charges himself.

Mr Kozeny, who set up HC&C with $3,000 to make it a major shareholder of some of the Czech Republic's most important financial institutions and companies, has faced controversy before. HC&C was investigated by the secret police in 1991, and in January last year, Lidove Noviny, a respected daily newspaper, revealed that several of its employees were former StB and interior ministry officials.

Mr Kozeny's rapid success and somewhat brash style have made him many enemies as well as admirers among Prague's small business and political community.

At the weekend, several newspapers questioned Mr Kozeny's version of events, and Lidove Noviny said it was unusual for a blackmailer to make gifts even in the shape of confidential information to the person he was blackmailing.

Local observers believe the scandal is the most visible sign yet of a growing web of corruption which involves former communist officials, organised crime, politicians and businessmen.

Mr Jiri Dienstbier, former dissident and foreign minister after the revolution, last week said: "The Wallis affair is like the tip of the iceberg of a whole system of corruption which is spreading here."

The Wallis affair, as it is now known, follows a smaller scandal involving the illegal sale of personal data on 2m Czechs from the interior ministry's central registry to a private company which, it was alleged, promptly sold it to Procter and Gamble for an advertising campaign.

An investigation ended inconclusively in June. "It was impossible to find out the source (for the information) in an official and legal way," said Mr Petr Zelasko, a police official.

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Nigerian opposition leader flies to London

By Michael Holman in London and Reuter in Lagos

NIGERIA'S political crisis took a new turn yesterday when Chief Moshood Abiola, winner of the country's aborted presidential election, arrived in London to press his claim for recognition as the country's civilian leader.

He left Lagos on Tuesday night in his private jet bound for the northern city of Katsina, according to the flight plan. The jet flew on to Luton airport, where he landed early yesterday.

A close aide said the Social Democratic party leader feared for his life. Later in the day, however, Mr Abiola denied there was anything unusual about his arrival, saying he was en route to Washington for discussions on recent developments in Nigeria.

He left behind a divided SDP. He and senior party officials are at odds over President Ibrahim Babangida's proposed interim government.

In an interview with the BBC yesterday, Mr Abiola again rejected it and pressed his claim on the presidency. Earlier in the day, however, a party official in Lagos defended the idea, saying that Gen Babangida had promised that an interim government would be wholly civilian.

Mr Abiola apparently won the presidential election in June but the military cancelled the polls and offered the SDP and the one other legal party, the National Republican Convention, a choice between a fresh election and an interim government.

Gen Babangida has repeatedly promised that the military will hand over power to civilians by August 27, but on Saturday he said the proposed interim government was "a consensus arrangement for concluding the transitional agenda of this administration".

Mr Amos Idakula, SDP spokesman, told Reuter yesterday that the president had made his promise about a civilian administration on July 5 when he first presented the two parties with the choice.

Mr Abiola's supporters in the SDP have accused the party's national officers of selling out to the government. Twenty-four of the 30 state chairmen of the SDP also dissociated themselves from the interim government proposal on Tuesday.

A monument to Hosokawa's initiative

Gordon Cramb on the record of Japan's new PM who had a liking for modernist projects

THE ARISTOCRAT who helped break Japan's 38-year-old political mould and is due to be elected today as prime minister has never held a cabinet post. For eight years, though, Mr Morihiro Hosokawa ran one small part of the country – where he became known in equal measure as marketing man, internationalist, and builder of modernist municipal monuments.

He described his job, as governor of the southern Kumamoto prefecture until 1990, as that of the region's top salesman. He brought in Dentsu, the country's biggest advertising agency, to promote a "cultural infrastructure" which included the erection of dozens of design-conscious public buildings.

"On the surface he was successful but it cost a lot of public money," says Mr Hatsuo Yamashita, branch general secretary of the Social Democratic party, which is one of the seven partners in the coalition which Mr Hosokawa will head.

"Visually Kumamoto has been changed but in the way it functions nothing much is different."

Kumamoto North police station is one striking example of the sort of building Mr Hosokawa has promoted. An inverted wedge of glass which cost Y2.5bn (£15.8m), it formed part of Mr Hosokawa's so-called Artpolis construction programme aimed at promoting quality of life in Kumamoto and its image nationally and abroad.

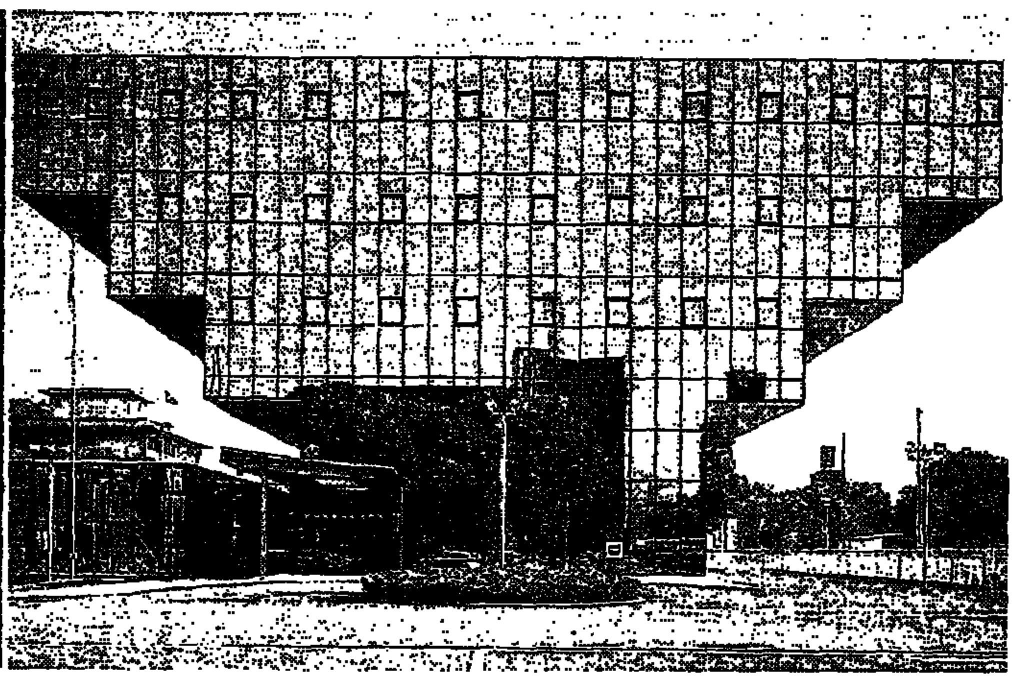
It was completed as Mr Hosokawa's term ended. The shape of the police station provides a symbol of what local political foes and colleagues from the period agree was a "top-down" administrative style, strong on initiative and short on consultation.

Mr Hosokawa is credited in Kumamoto with bringing the relatively poor prefecture to national attention through projects such as the Artpolis, as well as the Technopolis research and development centre for which he raised more than Y2bn from local donations. He also brought in an agricultural programme to encourage communities to become more specialised in what they grow.

His popularity was always high, with an approval rating towards the end of his term put by one local opinion poll at more than 70 per cent. In part this reflects the traditionalist populace of the region, many of whom revere Mr Hosokawa, whose family ruled there for more than two centuries until 1868. Some called him *(tonosama* (lord).

His increases in construction spending, however, dented the share of the budget going to social security and to education. Although these grew in yen terms as the budget expanded in the prosperous 1980s, opponents point out that the outlay on education, in which he professes a special interest, shrank from 27.5 per cent of all spending to 24 per cent during his time in office.

Yet the Artpolis projects provided high-quality public housing estates, and the 30 per cent of the budget allocated to construction was not out of line compared with other prefectures. However, some projects appear to be an eccentric indulgence typical of the high spending years in late-1980s Japan – an outdoor theatre with one of the largest stages in the country goes unused most of the year because of the region's high rainfall.



Associated Press/Reuter

Hosokawa, his region's 'top salesman', and the Kumamoto North police station, symbol of his 'top-down' administrative style

Mr Arata Yamauchi, Mr Hosokawa's budget director for Mr Hosokawa's first four years in office and deputy governor during his second term, says: "He saw the historic buildings in Kyoto and Nara [two former capitals of Japan] and wanted to create the same in Kumamoto – buildings which will last century after century."

Though he never held a cabinet post, he ran one small part of the country for eight years with some imagination

Mr Hosokawa "taught people not to depend on the central government", says Mr Yamauchi. An advocate of decentralisation, the governor had perennial run-ins with the bureaucrats of Tokyo, to whom he once famously claimed he had to defer if the prefecture wanted a bus stop moved.

Between leaving the governorship (he declared that corruption sets in if politicians stay in office too long) and founding the Japan New party last year, he was invited to chair a government commission on administrative reform.

He suggests that the rejection of its findings by ministry officials and by conservatives in the ruling Liberal Democratic party, to which Mr Hosokawa had until then been loyal, was one factor convincing him that the established order in Tokyo had to be overturned.

His economic record is mixed. Kumamoto still hovers around 30th out of the 47 prefectures, ranked by per capita income. Some 220 companies, including car component makers, moved to Kumamoto during his tenure, although it has so far failed to win foreign investment in manufacturing from abroad. This is despite a "foreigners first" policy instituted by Mr Hosokawa offering preferential incentives to non-Japanese companies.

One group of Kumamoto residents in particular is placing great faith in his ability as premier – the remaining victims of the Minamata poisoning scandal of the mid-1950s, when a chemical factory in the fishing town knowingly pumped mercury sludge into the bay, causing Japan's worst industrial pollution incident.

As governor, Mr Hosokawa sought in vain to break a legal logjam in the battle for compensation for the thousands disabled by eating tainted fish. Tokyo imposed a narrow definition of those entitled to compensation, and with the average age of sufferers now above 70, an early settlement "will be a test of his ability in government", argues Mr Nobuya Hidaka, Kumamoto general secretary for the Japan Communist party, which will remain outside the national coalition.

With fissures emerging within the seven-party coalition even before it takes office, and reform of the cash-consuming electoral system as almost the sole item on its agenda, Mr Hosokawa will have his work cut out to deliver even on that. There may be no time for other matters – least of all monument building.

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Current account surplus up 19.8% in first half

By Robert Thomson in Tokyo

JAPAN'S current account surplus in the six months to June rose by 19.8 per cent from a year earlier to $67.5bn (£45.30bn). It is on course for a new record total this year in spite of appreciation of the yen and US attempts to improve market access.

The current account surplus for the month of June was a record $10.7bn, compared to $9.4bn last year, and reflected the influence of a large trade surplus, $11.6bn, though the finance ministry expects the stronger yen to slow the expansion of that surplus in coming months.

During the first half, Japan recorded an unusual $2bn surplus on its invisible trade, which is generally pushed into deficit by the influence of the tourist outflow.

The ministry said an increase in receipts on investment abroad had turned the account around, although there was a deficit of $443m for June.

Japanese investors' net sales of foreign bonds during the month were $3.04bn, compared to net purchases of $4.58bn in May, while they were net purchasers of $1.24bn in equities, up from $414m in May.

Foreign investors net purchases of Japanese bonds in June were $2.3bn, while they sold $239m in stocks.

Finance ministry officials fear that the immediate effect of the renewed strengthening of the yen in recent days will be to push the trade and current account surpluses higher, provoking further calls from Washington for new market opening measures.

Officials in the finance ministry and the ministry for international trade and industry are also concerned that a coalition government, expected to take office today, will be unable to agree on a response to US requests for a new spending package to stimulate the economy and, in theory, increase imports.

Japan's current account surplus has grown year-on-year for 27 consecutive months, although the seasonally adjusted surplus for June fell 19.4 per cent from May, giving the government hope that the expansion, which began after the collapse of the finance bubble, is coming to an end.

Tokyo tries to close chapter on 'comfort women'

By Gordon Cramb in Tokyo

JAPAN yesterday attempted to seal a chapter in its history which has provoked fierce hostility from its Asian neighbours, by acknowledging that its imperial army during the Pacific war coerced a large number of women into providing sexual services in the countries it occupied.

The admission came on what was expected to be the final day of the Liberal Democratic party's 38 years in office, and 48 years since Japan's forces surrendered.

A statement by Mr Yohei Kono, chief cabinet secretary and newly elected party leader, went further than previous efforts by Mr Kiichi Miyazawa, the outgoing prime minister, to atone for the so-called "comfort women" issue.

It follows an 18-month government inquiry which showed that women were kept in "comfort stations" most notably in Korea but also in China, the Philippines, Indonesia, Thailand, Burma, Hong Kong, Macao, the then Malaya, New Guinea and French Indochina, as well in as Japan itself.

Some 35 surviving Korean inmates gave testimony. Several court hearings remain to be processed in Japan's tortuous legal system.

The timing of the report's release signals a desire to resolve the issue on the part of the LDP, which is trying to project a more open image in the wake of its defeat in last month's general election.

On Tuesday, Mr Tsutomu Hata, of the Japan Renewal party and likely deputy prime minister in a new government, and the Social Democratic party's Ms Takako Doi, designated lower house speaker, both promised to seek full reconciliation with countries invaded during the war.

Mr Kono said yesterday the brothels were operated "in response to the request of the military authorities" whose personnel at times "directly took part in the recruitments" of women, which "were conducted generally against their will".

Accepting that the practice was both widespread and of long duration, he said the women "suffered immeasurable pain and incurable physical and psychological wounds".

Mr Miyazawa, confronted with the issue before a trip to Seoul last year, offered an apology in which he said it was undeniable that women had been recruited. The extent of coercion involved has not been admitted before, however.

Still, the latest report gives no indication of the number of women involved (estimates suggest upwards of 100,000 in Korea alone) and insists that private recruiters were largely responsible for rounding them up.

While a senior foreign ministry official acknowledged last night that many of the women were held without pay, he declined to accept terms such as sex slaves and avoided recognising the episode as a war crime.

NEWS IN BRIEF

Libya invitation to UN may lead to Lockerbie trial

LIBYA has invited the United Nations to open talks that could lead to the eventual trial of the two alleged Lockerbie bombers, a UN spokesman announced last night, writes **Michael Littlejohns** at the UN in New York.

However, Mr Boutros Boutros Ghali, the UN secretary general, needed further clarifications, including where the trial might be held and on the question of compensation, before sending a mission to Tripoli.

Mr Omar Mustafa al-Muntasser, the Libyan foreign minister, with whom he discussed the question in New York late on Tuesday, has returned to Tripoli to consult his government on the points raised.

The Security Council imposed sanctions against Libya last year after Tripoli refused to hand over two men accused of masterminding the December 1988 bombing of a PanAm jet over Lockerbie in Scotland with the loss of 270 lives.

Seoul seeks talks with Pyongyang

South Korea yesterday proposed that talks with North Korea on mutual nuclear inspections be resumed next Tuesday, writes **John Burton** in Seoul.

It is unclear, however, whether Pyongyang will accept the proposal since Seoul is suggesting that the talks should be held through the bilateral Joint Nuclear Control Commission. North Korea wants the talks conducted by special envoys who would also arrange a summit meeting between the leaders of the two Koreas.

Army called out in Srinagar

The Indian army was called out in Srinagar, Kashmir, yesterday, after paramilitary troops failed to enforce a curfew for the fourth consecutive day, following the killing of a seven-year-old boy and his parents by Border Security Force personnel at the weekend, writes **Shiraz Sidhva** in New Delhi.

Shops and offices remained closed as hundreds of Kashmiris took to the streets defying the curfew to protest against the killing of the family at point-blank range in their home in Daribal-Khanyar, in Srinagar. At least 20 people have died since Sunday night, in police firing to quell the demonstrations, and over 50 people are injured and being treated in the city's hospitals.

China to issue yen bonds

China will issue Japanese yen-denominated bonds in Europe later this year, the official China Daily newspaper reported yesterday, Reuter reports from Beijing.

It quoted the Ministry of Finance as saying the issue is aimed at raising funds for national construction projects. It did not provide the size of the issue or the issue date.

The report said it will be the Chinese government's first issue of foreign currency bonds in Europe since 1987. But the state-run People's Construction Bank of China floated $120m worth of bonds on the European market in July.

Reuter

Some of 30,000 Jews from Belz Hasidic sect who celebrated the arranged marriage of Aharon Mordechai Rokeah, only son of the sect leader Rebbe Yissachar Dov Rokeah, to an 18-year-old seminary student in Jerusalem. The wedding was the couple's second meeting

Stranded Palestinians call for action by US

PALESTINIAN deportees stranded in a south Lebanon no man's land demanded yesterday that the US pressure Israel to take them back, Reuter reports from Zahle, Lebanon.

The nearly 400 deportees issued their demand before the arrival in eastern Lebanon of Mr Warren Christopher, US secretary of state, on the fourth leg of a mission to revive stalled 21-month-old Middle East peace talks.

"Eight months have passed and [UN] Security Council Resolution 799 has not been implemented. We demand Christopher to pressure Israel for our return," said deportee leader Mr Abdul Aziz Rantisi.

Resolution 799, passed a day after Israel expelled the men accusing them of being linked to hostile Islamic groups last December, demanded Israel allow them all back immediately. Israel refused to implement the resolution but cut the maximum term in exile for the men to one year.

Mr Rantisi said about 80 sick deportees should be allowed back and said the men were waiting for the International Committee of the Red Cross to reveal the result of contacts with Israel.

On Monday, Israel said some more deportees would be eligible to return in September, taking the total number who could go back to around 200.

Mr Christopher arrived in the town of Zahle yesterday. Officials said his talks would focus on hopes to revive Arab-Israeli peace negotiations, which the US had feared would be derailed by Israel's assault on south Lebanon last week.

S Korea's chaebol get protection against state

John Burton looks at a court ruling on a conglomerate's fate

A COURT ruling last week overturning the forced dissolution of a South Korean conglomerate could mark a turning point by easing the government's centralised control over industry and the financial system.

The decision, overruling a 1985 government order disbanding the Kukje group, is seen as improving the legal protection of the country's industrial groups, or *chaebol*, against state interference.

Although the government of President Kim Young-sam welcomed the ruling as promoting its policy of economic deregulation, it could hamper the administration's efforts to streamline the *chaebol* and reduce their dominance in the Korean economy.

The Kukje case is a textbook example of how the government used the financial system to control the *chaebol* in the past three decades.

Kukje and other *chaebol* grew on soft government loans in the 1960s and 1970s as they led the country's rapid industrialisation. But the extensive borrowings made the *chaebol* dependent on the state for their survival since they were highly leveraged. Kukje, for example, had an astronomical debt-to-equity ratio of 964 per cent when it was dissolved.

When Kukje encountered financial problems, the government of President Chun Doo-hwan, the former military dictator, refused to let the banks, which operate under close state guidance, provide new loans to save the group.

Instead, Kukje was broken up under government direction and its 20 subsidiaries were sold to companies considered to have close ties to the Chun administration.

The South Korean constitutional court, in declaring the Kukje dissolution illegal, explained that the action was an infringement of private property rights.

"The ruling meant that the legal system, not arbitrary government decisions, should determine the fate of companies, such as whether they can be liquidated," explained Mr John Wadle, an analyst with BZW in Seoul.

Kukje was not alone. Almost 80 ailing private companies were forcibly merged, liquidated or sold by the Chun administration during the mid-1980s as part of an industrial rationalisation programme, following similar restructuring efforts ordered by earlier governments.

The new owners of these companies were provided with extensive financial and tax benefits by the government to support their takeovers. Banks were ordered by the state to suspend collecting interest on loans that had previously been made to the troubled companies in order to ease financial pressure on their new owners.

This has been blamed for substantially contributing to the banks' current heavy burden of non-performing loans. Independent analysts estimate the amount of non-performing loans has reached Won11,000bn (£9.2bn), although the official figure is Won2,300bn.

The Chun government justified its action by arguing that confiscated companies were poorly managed and could survive only under more efficiently run business groups. But critics allege Kukje and some other companies were taken from owners who did not support the Chun government.

Whatever the cause, the break-up of Kukje underscored the vulnerability of the other *chaebol* to the government's control of the financial system.

Kukje's demise was interpreted as a warning that any *chaebol* that fell out of favour with the government could be subject to credit restrictions and possible bankruptcy.

These fears were revived last year when Hyundai, the country's largest conglomerate, suddenly had problems getting loans after its founder, Mr Chung Ju-yung, declared a presidential bid against the ruling party candidate, Mr Kim.

Although President Kim has promised to reduce state intervention in the banking sector, the family owners of the biggest conglomerates remain concerned that he may resort to using credit controls and tax laws to force them to dispose of companies as part of the *chaebol* reform policy.

The ruling could provide the *chaebol* with a constitutional argument against such moves since the court based its Kukje decision on a constitutional article stating that the economy is governed by the "principle of individual freedom".

Although the ruling has improved the general position of business in relation to government, it could adversely affect some companies. Companies that took over businesses confiscated by the Chun government could face court battles as their former owners try to regain control.

The ruling may discourage the government from intervening to save companies in financial trouble. The state until now has virtually guaranteed that important companies would never go bust..

This would also mean reduced government interference in determining bank loan policy. The state traditionally has directed banks to provide low-interest loans to strategic industries or financially weak companies whose collapse could cause significant unemployment.

NEWS: THE AMERICAS

Policy ambitions of the White House hang by a thread, reports **Roger Matthews**

President at mercy of his own party

IT is the biggest budget deficit reduction package in the history of the US. Better than that, it is the biggest budget deficit reduction ever, anywhere in the world. With such extravagant claims, members of the Clinton administration and senior Democrats have launched their last-ditch campaign to win congressional approval for the president's amended budget proposals.

Rejection could seriously undermine the authority of the White House for the next three and a half years. Not that anyone around President Bill Clinton is talking of defeat, despite the closeness of the votes expected in both the House of Representatives and the Senate in the next two days.

What is promised instead is a change in national direction, a new momentum and an end to the gridlock which for the past 12 years has seen president and Congress locked in almost perpetual conflict.

"There are only two choices," Mr Clinton told the country in a nationwide television address on Tuesday night. "Our plan, or no plan". However, the plan to which the president was referring is not quite the same as the one he offered nearly six months ago.

Last February the president was also promising an economic stimulus through a $30bn (£20.1bn) two-year spending plan, only to see it killed by a Republican filibuster. He wanted to impose a wide-ranging energy tax that would have raised some $71.5bn over five years, only to see that emerge from Congress as a modest 4.3 cents a gallon increase in the tax on petrol. This will achieve little more than one-third of the original target.

But what remains is enough for Mr Clinton to claim that he is within $4bn of the $500bn he

Clinton: 'There are only two choices – our plan or no plan'

set himself to cut from the expected budget deficit over the next five years, and enough for the Republicans in Congress to vote en masse against the compromise package which emerged from the conference committee on Tuesday.

Senator Bob Dole, leader of the Republican minority in the Senate, described the package as "the largest tax increase in the history of the world". Little touches Americans more fundamentally than the threat of higher tax and the thrust of the Democrats' campaign is to demonstrate that the administration's direct tax proposals affect only a small proportion of the population. "At least 80 per cent of of the new tax burden will fall on those making more than $200,000 a year and very little on other Americans," said Mr Clinton.

Those primarily affected are individuals with a gross income of $140,000 a year and couples jointly earning more than $180,000. For them the top tax rate goes up from 31 to 36 per cent, with a top marginal rate of 39.6 per cent for those with taxable incomes above $250,000. "For working families making less than $180,000 a year there will be no income tax increase," he said.

Mr Clinton's message is directed primarily at fellow Democrats because it is within the president's own party that the battle will be lost or won. When the budget bill originally passed the House of Representatives, it did so with a six-vote majority, 219-213. But in the Senate the vote was tied 49-49 and only the casting vote of Vice-President Al Gore allowed it to progress. Six Democrat senators voted against and since then one more has announced his intention of voting against.

On the perhaps optimistic assumption that there will be no more defectors in the Senate, it means that at least one more Yes vote has to be found before the scheduled vote tomorrow.

All eyes are on Senator Dennis DeConcini of Arizona and

Associated Press

Pointing the way: George Mitchell (left), Senate majority leader, and James Sasser, chairman of the Senate budget committee, gesture during a news conference on Capitol Hill

the extent to which compromises struck during the conference stage of the bill will persuade him to switch sides.

Mr DeConcini, known for his last-minute bargaining and a key target for Republicans in next year's elections, admits that sentiment in his home state is generally against the Clinton package, although he is a strong advocate of measures to reduce the deficit.

He claims that he wants to be sure that all the new tax revenue goes towards achieving that aim – something Mr Clinton's pledge to establish a special trust fund for the purpose may answer.

The senator says he is also worried about higher petrol prices and the effect, especially on older people, of the increase in the taxable portion of social security benefits.

Ultimately, Mr DeConcini's decision and that of fellow Democrat waverers will rest on their perception of what the public, particularly the middle classes, believes the Clinton package will achieve: whether it provides what the president promised – an economic stimulus, tax fairness and a reduction in the deficit; or whether it has been reduced primarily to a tax-raising budget which, as the Republicans claim, hits the middle classes hardest and will kill jobs, not create them.

But, as the president told the nation, it is the only plan on offer and the basis for everything else he wants to achieve, such as improved healthcare, welfare reform, and the modernisation of government. If his own party votes him down, the damage would be immense.

Chile to speed Pinochet human rights trials

By David Pilling in Santiego

PRESIDENT Patricio Aylwin has attempted to close a chapter of Chilean history by speeding up the trials of officials accused of human rights abuses under the previous military government of General Augusto Pinochet.

In an eagerly awaited national address on Tuesday night, Mr Aylwin proposed the appointment of special judges who would be given the responsibility of rapidly processing the trials, which have become bogged down in the legal system.

Judges would hear evidence in secret in an attempt to learn the truth quickly and, where possible, to discover the whereabouts of missing bodies, the prime concern of most victims' families.

There are more than 2,000 recorded cases of extra-judicial killings and disappearances, most of them brought to light in a 1991 report commissioned by the government. A 1978 amnesty law precludes punishment of abuses committed between 1973 and 1978 – the bloodiest period of the Pinochet regime.

Mr Jaime Castillo Velasco, president of the Human Rights Commission, said the proposals were "very important and could produce the desired results". A successful outcome, however, rests on the willingness of military officials – under the cloak of secrecy – to help unearth fresh evidence.

Mrs Sola Sierra, president of the Association of Families of the Disappeared, said: "We are not satisfied. The president's proposal favours those who violated human rights, belittling the just demands of victims' families for truth and justice." Calls from the military and some right-wing politicians to put a "full stop" to all trials were rejected by Mr Aylwin as "morally and legally inadmissible". To bury the past, he said, would undermine the painful process of national reconciliation.

The president said his proposal, which will shortly be submitted to Congress, aimed to put into practice the so-called Aylwin doctrine, namely: "The whole truth, and justice as far as possible."

He admitted, however, that his was not a "perfect solution".

US floods 'not an economic threat'

ECONOMIC activity in the US continued to expand slowly to moderately in June and the first half of July and was not threatened by Midwest flooding, according to US Federal Reserve banks, Reuter reports from Washington.

In their Beige Book report, the banks said "flooding inflicted considerable damage in parts of the Chicago, St Louis, Kansas City and Minneapolis districts, but the effects were said to be highly concentrated and were not seen to threaten overall economic expansion in any district".

The report, which is produced about every six weeks, was based on surveys of business executives conducted before July 27 by the 12 component banks of the US central bank.

Midwest flooding, which is being called one of the worst natural catastrophes in US history, has killed 45 people and caused an estimated $10bn in damage.

Last week the US Commerce Department said output of goods and services rose at a 1.6 per cent annual rate in the three months from April to June, measured by GDP.

New ministers to spearhead Cuban reforms

CUBA'S government replaced four ministers yesterday in a shake-up of key economic posts that signalled its determination to confront the island's economic crisis with reforms, Reuter reports from Havana.

The ruling council of state, headed by President Fidel Castro, named Mr Alfredo Jordan Morales, Mr Nelson Torres Pérez, General Silvano Colas Sanchez and Mr José Luis Rodriguez Garcia as the new ministers for agriculture, sugar, communications and finance respectively.

It was the most important shake-up of economic posts on the Caribbean island for several years.

Foreign diplomats said the changes confirmed President Castro's intention to tackle the island's economic problems, aggravated this year by flagging food production and a disastrous sugar harvest.

Mr Rodriguez, a leading economist, was previously deputy director of the Centre for Research in the World Economy in Havana. Last week he told foreign reporters he foresaw the introduction of monetary, tax and exchange rate policies and limited market mechanisms to overhaul the economy.

The state media have indicated the government intends to depart from its adherence to the former Soviet-style economic policies in force when Cuba was a member of the Soviet trading bloc Comecon.

Mr Torres, who is to head the strategic sugar ministry, has earned a reputation for efficiency in his previous post as Communist party chief in the south-central province of Cienfuegos. He replaced Mr Juan Herrera Machado, another veteran who had served seven years as sugar minister.

During Cuba's disastrous 1992-93 sugar harvest, output slumped to 4.2m tonnes, one of the lowest levels ever. Reasons cited for the failure, which cost Cuba $500m in lost sugar revenue, were unseasonably bad weather as well as acute shortages of fuel, spare parts and fertilisers.

In the agriculture ministry, Mr Jordan also faces the challenge of reviving flagging food production, a sensitive area for Cuba's nearly 11m people who are suffering serious food shortages.

Mr Jordan was a provincial party chief in eastern Las Tunas province.

The new ministers will serve under Mr Carlos Lage, vice-president of the council of state and recognised by most observers as Cuba's leading economic strategist.

The appointment of Gen Colas as communications minister follows an existing policy of putting military figures in infrastructure posts, such as transport.

NEWS: WORLD TRADE

Components venture expects sales of Y1bn

Honda enlists Stadco in expansion drive

By Gordon Cramb in Tokyo and Andrew Baxter in London

HONDA Engineering, part of the Japanese motor group, has chosen Stadco of the UK as its partner in a venture to design and make systems for automotive components manufacture and assembly lines in Europe.

The deal is the first such alliance signed by Stadco, the automotive pressings and production equipment subsidiary of Hall Engineering (Holdings). It is an important step in Stadco's strategy to move into the top tier of European automotive production equipment suppliers.

Honda expects annual sales of Y1bn (£6.4m) from the alliance, which it said would extend later to regions such as south-east Asia and Africa. It forms part of Honda efforts to expand supplies of its engineering equipment outside the group's own factories.

The link-up is a further boost for Stadco, which in March announced its first order from a German-owned car company when Volkswagen's Audi unit signed up for £21m of vehicle assembly equipment and tooling.

Germany is home to Thyssen and Kuka, two of Europe's leading suppliers of such machinery.

Mr Alan Mace, Stadco's managing director, said the deal would strengthen the company through access to Honda's research and development, and technology for "lean" manufacturing systems. It would also give Stadco extra credibility as it sought orders from European car manufacturers.

Access to Honda Engineering's manufacturing capability would allow Stadco to get its name on bidding lists for larger contracts than was now possible, at least in the short and medium term, Mr Mace said.

In the UK Stadco has supplied both Honda – last year it installed body manufacturing equipment at the Japanese company's new Swindon plant – and Rover Group, in which Honda has a 20 per cent stake.

Stadco's sales have grown from £11m in 1983 to £45m-£50m in each of the past two years.

It accounts for about a third of Hall, which is best known for its steel stockholding and construction product interests.

Asian air cargo set to soar

ASIA is likely to experience the fastest growth in air cargo traffic over the next 17 years, according to a forecast yesterday from Boeing, the world's biggest aircraft manufacturer, writes Daniel Green. By the year 2010 Asian markets – including links with Europe and North America – would account for half the total air freight market, Boeing said.

But profit margins for freight operators will continue to decline as larger aircraft and competition cut costs and prices. Revenue per tonne-kilometre, the standard unit of measurement in the airline industry, fell 7 per cent in 1992 and will slip by 1 per cent a year on average until 2010. In volume terms, the world air freight market will grow at an average of 6.8 per cent a year until 2010.

Cargo will grow far faster than passenger traffic, which Boeing estimates will increase 5.4 per cent a year over the period.

Resin supplier may rethink US offer

By Emiko Terazono in Tokyo

SUMITOMO Chemical, the world's largest supplier of high-grade epoxy resins, is under pressure to turn to Dow Chemical of the US for emergency supplies following an explosion at its plant in northern Japan last month.

The resulting halt in production has affected the semiconductor industry, as the plant supplied 60 per cent of the world's epoxy resins used for plastic semiconductor packages.

Sumitomo initially declined co-operation with Dow after the US company offered to start up a plant, closed in 1991, on condition Sumitomo purchased all the epoxy produced over the next five years.

Sumitomo said it had a two-month inventory and would be able to provide 50-60 per cent of its usual monthly sales from September. It added the Japanese chemical companies Nippon Kayaku and Dainippon Ink and Chemicals, and Chang Chun Plastics of Taiwan, would provide emergency supplies.

However, Sumitomo may eventually have to meet Dow's conditions to keep up supplies. Mr Tommy Tang, analyst at Baring Securities in Tokyo, said that unless Sumitomo could guarantee supplies it might have to reach agreement with Dow.

The cause of the explosion at the Sumitomo plant is still being investigated.

The company said it did not know how long restoration would take; the plant's main equipment and most racks and structures were reusable, although peripheral equipment, including a solvent recovery tank and an electrical room, were badly damaged by the blast.

High costs forced Dow to close down its epoxy resins plant, which had a production capacity of 5,000 tonnes. It could cost more than $3m (£2m) to start up.

Scottish shipyard wins court reprieve

By James Buxton, Scottish Correspondent

FERGUSON Shipbuilders, a Scottish shipyard, has been granted an interim order in the Jerusalem high court which may help it win a £10m contract to build two tugs for state-owned Israel Electric.

The court instructed Mr Israel Kessar, minister of transport, not to award a contract for the tugs to state-owned Israel Shipyards or any other company.

The order also applies to Israel Electric and the port of Hadera, where the tugs would operate.

Ferguson, which is based at Port Glasgow on the lower Clyde, believes its tender for the contract to build the tugs was 23 per cent lower than the $16.7m (£11.2m) bid by Israel Shipyards.

About 14 shipyards initially submitted tenders.

Mr Kessar had told the Israeli press he intended to grant the contract to Israel Shipyards to protect domestic jobs. His intentions were said to have been criticised by officials at the ministry of finance and at Israel Electric.

Ferguson is understood to have felt it had been used as a price marker in an expensive and time-consuming charade.

Judge Michael Cheshin gave Mr Kessar 10 days to respond to the order.

The issue will be considered by three judges in the Israeli Supreme Court, probably within a few weeks.

Ferguson, a privately owned company purchased from British Shipbuilders in 1989, builds specialised small ships such as ferries, dredgers, research vessels and tugs. It has been owned since early 1991 by a consortium chaired by Sir Ross Belch, who once managed the Scott Lithgow shipyard at Port Glasgow, now closed.

It is currently constructing two ferries for the Red Funnel line which operates to the Isle of Wight. Ferguson made pre-tax profits of £1.04m on sales of £16m in 1992. It employs 230 people.

Russia's eastern ports enjoy an embarrassment of riches

But traders suffer from the congestion, writes **Hugh Fraser**

RUSSIA'S newly privatised Far Eastern trade ports have found themselves in an enviable position: they have far more customers than they can handle.

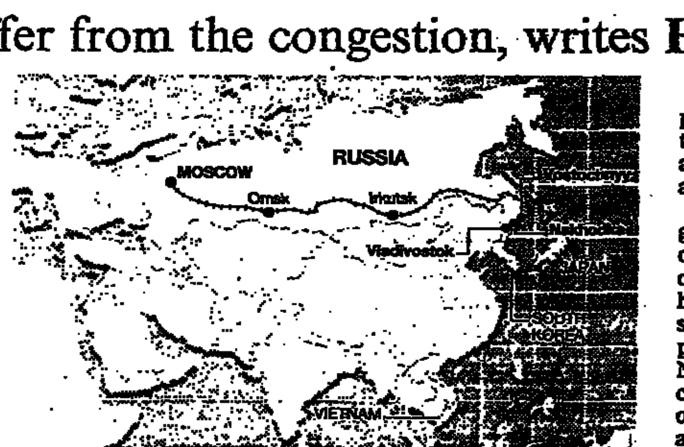
Three ports facing the Sea of Japan hold the key to Russia's trade with the Far East. However, each is able to handle a maximum of 11m tonnes of cargo a year, putting a ceiling on that trade.

The privatisation of Vladivostok's trade port was completed in April. The nearby ports of Nakhodka and Vostochnyy went private last year.

Privatisation has not, however, increased competition. "If a customer says they can get a better deal at Nakhodka, we can say, 'Take your business and go to Nakhodka,' because we know that there are five more companies waiting to do business with us," says Mr Sergei Movchan, commercial director of Teko, a cargo agent linked to the port of Vladivostok.

Teko's main line of business is forwarding metals to Japan, South Korea, Vietnam and other countries. Its terms include payment in advance, usually in hard currency, even for Russian customers used to paying in roubles.

Mr Movchan estimates that about 80 per cent of imports through Vladivostok are financed by private businessmen bringing in consumer goods. He is also seeing an increasing number of new businessmen buying up export quotas for raw materials, including metals, timber, and minerals.



The role of the ministry of transport, which ruled the old Soviet transport system with an iron grip, has been diminished since privatisation, not always with entirely positive results.

Some new businessmen, not yet used to the new system, load goods onto the Trans-Siberian Express without reaching prior agreement with the ports, says Mr Movchan. Last summer there were 7,000 train wagons waiting to be unloaded at Vladivostok.

The ports put the blame for the bottlenecks firmly at the door of the businessmen and the railway. "We did not pay one dollar or one rouble in fines for delays last year. All the hold-ups are on the railroad waiting to get into the port," says Mr Mikhail Robkanov, president of Vladivostok Commercial Port Corporation.

Some of the bitterest complaints come from Russia's largest trade fleet, The Far Eastern Shipping Company (Fesco).

"It is a matter of principle," that the ports should not be privatised. Practically nowhere in the civilised or so-called capitalist world are ports in private hands," claims Mr George Pikus, vice president of Fesco.

"When we negotiate with the ports, it is one monopoly talking to another, but they are bigger monopolists than we are," says Mr Pikus.

But Mr Gennady Zhebelev, general manager of the merchant port of Vostochnyy, claims that competition for high quality customers is starting. Vostochnyy has poached exporting clients from Nakhodka, including a logging complex from Irkutsk. Among other projects, Vostochnyy has a $100m credit from Deutsche Bank to build a fertiliser handling complex.

But even at Vostochnyy, the region's largest and most modern trade port, bottlenecks are not unknown. In January, 1,500 wagons arrived carrying coal from Siberia. The coals had frozen and the port equipment could not unload them. Equipment was not available to move the wagons off the track, and trains queued up behind.

Solutions to these problems may lie in western technology and management skills. For the past three years, Sea-Land, the giant US transportation company, has been operating a joint venture with the Russian ministry of railways to handle containers at Vostochnyy and transport them along the Trans-Siberian Railway. Sea-Land claims to have cut the overland route from Japan to Europe from 45 to 21 days.

US study defends multinationals

By Nancy Dunne in Washington

THE US's failure to improve its trade position with Japan stems from "the relative paucity" of its direct investment there, according to a report released yesterday by the Emergency Committee for American Trade.

Ecat, comprising leaders of about 60 large US corporations, has produced an updated defence of the contribution US multinationals make to the American economy.

It asserts that multinationals, rather than exporting jobs, produce exports which provide the best paid and most secure positions in the US.

The higher the share of US investment in manufacturing facilities abroad, the more likely it is the US has a merchandise trade surplus with that country, the Mainstay II report says. Thus, a US worried about imbalances between it and the rest of the world might be better off pushing for an end to foreign investment barriers, rather than pursuing invisible and formal barriers to trade.

After the dollar began to weaken in 1985, US exports rose sharply, accounting for 89 per cent of economic growth between 1989 and 1991. US multinationals accounted for about two-thirds of manufactured exports.

"Industries with the highest levels of foreign investment have the highest rate of exports and export growth," the report says. The home country gets remittances from royalties, profits and fees, which in turn create new jobs.

The report rejects the argument that foreign investors produce abroad to take advantage of low wages and re-export cheap products to the US. Excluding Canada, only 7.2 per cent of total sales by US manufacturing affiliates were to the US market in 1990, a percentage largely unchanged in the last two decades.

The study says the number of multinational jobs declined only 0.5 per cent from 1982 to 1989 – a quarter of the average decline of the Fortune 500 industrial companies.

Mainstay II: A New Account of the Critical Role of US Multinational Companies in the US Economy, Emergency Committee for American Trade, 1211 Connecticut Avenue, N.W., Suite 801, Washington DC 10036. Telephone: 202 659 5147.

Ministers try to heal splits over Europe

By David Owen

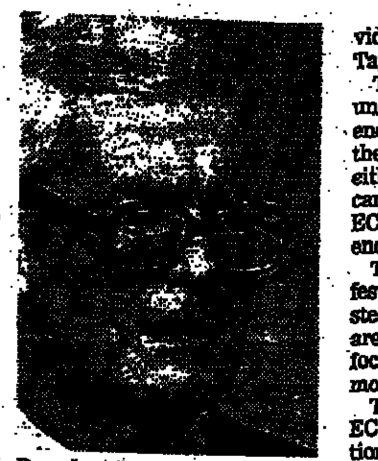
SENIOR foreign office ministers have launched a concerted attempt to patch up splits in the ruling Conservative party over Europe ahead of next year's elections to the European parliament.

Mr Douglas Hurd, foreign secretary, has been holding private meetings with Tory MPs representing all shades of opinion on Europe, in a bid to highlight those areas of European policy where there is common ground.

Yesterday's meetings with Mr Bill Cash, the arch Euro-sceptic MP, and Mr Hugh Dykes, the strongly pro-European MP, were portrayed by the government as fulfilling a pledge made during last month's tumultuous vote of confidence in the House of Commons.

Winding up the debate – called in response to the government's humiliating defeat over Maastricht's social chapter – Mr Hurd promised to "listen carefully to the wide range of views within our party and outside".

Mr Ian Taylor, the staunchly pro-European Tory MP, who met Mr Hurd this week as a representative of the Positive European group, said yesterday the foreign secretary had invited the group to develop its views on "the post-Maastricht agenda".



Douglas Hurd: promises to "listen" to range of views

Mr Taylor said he emphasised to Mr Hurd that Maastricht was "very much worth the effort" despite the ERM's difficulties, but argued that there was now a need to explain to people how the EC could work to their advantage.

"We have spent a long time in necessary legal debate but what we now have to do is show the EC is something individuals can benefit from," Mr Taylor said.

The foreign secretary is understood to believe there is enough consensus to prevent the party tearing itself apart either in the European election campaign or ahead of the next EC inter-governmental conference scheduled for 1996.

The European election manifesto is expected to reflect this, steering clear of controversial areas like monetary union to focus on issues where there is more agreement.

These are likely to include EC enlargement and the evolution of relations with eastern Europe, as well as the development in practice of the European single market and the concept of subsidiarity.

Mr Hurd – who will chair the European election manifesto committee – is said to believe that the recent turmoil in currency markets has consigned the issue of monetary union to "even longer grass than it was sitting in before".

Further discussions involving Mr Hurd, Mr David Heathcoat-Amory, the Europe minister, and assorted Tory MPs will take place after the summer recess.

Isle of Man may cut timeshare cool-off period

By Michael Skapinker, Leisure Industries Correspondent

THE Isle of Man, the legal jurisdiction for many European Community timeshare contracts, is considering a law which will substantially shorten the period during which buyers can cancel their contracts.

Government officials on the island are in favour of a seven-day cooling-off period, during which timeshare buyers can ask for their money back. This compares with the 14 days specified by UK law or the period of between 14 and 28 days being suggested for EC legislation.

More timeshare contracts in Europe are subject to Isle of Man law than to any other jurisdiction, according to Mr Norman Burden, chairman of the Timeshare Council, which represents the legitimate side of the industry in the UK and vice-president of the European Timeshare Federation.

He defended the seven-day cooling off period, saying that most timeshare buyers who cancelled did so within 72 hours.

Timeshare buyers purchase a specified number of weeks each year at a holiday resort. The industry has acquired a bad reputation because of high pressure sales tactics by some operators.

The Isle of Man completed consultation on the proposed timeshare law last weekend. The legislation is expected to be introduced into the Manx parliament's next session, beginning in October.

A consultative document prepared by an Isle of Man Treasury working group and sent to industry representatives over the summer says: "It has been suggested that if legitimate timeshare business is to be encouraged to develop here, a shorter cancellation period than exists in the UK would do much to impart a marketing advantage to the Isle of Man."

The document says that the island's Board of Consumer Affairs would have liked to offer the same level of consumer protection as exists in the UK.

But it adds that the Timeshare Council and the European federation prefer a seven-day cooling-off period.

The UK law, which came into effect last October, was regarded as providing little protection to buyers as it did not apply where contracts were concluded abroad.

The Timeshare Council estimates that 75 per cent of UK buyers enter into contracts abroad.

Proposed EC legislation suggested a cooling-off period of 14 days for contracts entered into in the buyer's country of residence and 28 days for agreements signed elsewhere in the EC.

The European Parliament has recommended 21 days in both cases. EC consumer affairs ministers are expected to discuss the issue in October. The Isle of Man will not be subject to the directive.

The Isle of Man government said that the island was likely to start with a seven-day period.

He said the proposed Manx legislation was clearer than UK law in that it specified that the cancellation period should run from the date the agreement was signed.

The UK law has been criticised for being vague on this issue.

Jaguar sales in US surge by 30%

By Kevin Done, Motor Industry Correspondent

JAGUAR, the UK luxury carmaker, increased its sales in the US – its most important market worldwide – by 29.7 per cent in the first seven months of the year to 6,828 from 5,266 a year ago.

Sales in the US in July at 1,083 were more than double the 457 cars sold in the same month a year ago, when demand was at a very depressed level, the company said.

Jaguar's improving fortunes in the US are the main factor behind its forecast to increase sales worldwide in the whole of 1993 by around 29 per cent to more than 29,000 from the 22,478 achieved last year.

The company is recovering from a low level, following a steep decline in sales in the previous four years from a peak of 49,494 achieved in 1988.

It said it had revised upwards its US sales forecast to 13,000 for 1993 from the earlier forecast of between 11,00 and 12,000. Sales last year were 8,681, the lowest since 1981.

The improvement in the US is helping to compensate for falling sales in continental Europe and in Japan.

The recovery in sales and output is allowing Jaguar, a subsidiary of Ford of the US, to cut its losses, which were reduced to $115.1m in the first half of the year from $165.1m in the same period a year ago.

Under UK accounting rules Jaguar suffered a pre-tax loss of £77.2m in the first half of the year compared with a loss of £88.3m in the corresponding period a year ago, the company said.

Jaguar sales worldwide rose by 8.8 per cent in the first six months of the year to 13,024 from 11,968 in the same period a year earlier, but it expects the pace of recovery to accelerate in the second half of the year.

The company said it expected UK sales during August, the most important sales month of the year, to increase by around 20 per cent from last year's depressed level.

Warner Bros raises UK horror films from dead

By Raymond Snoddy

HAMMER FILMS, Britain's most famous horror film company is about to rise from the dead years after a stake was put through its heart when the receivers were called in.

Mr Roy Skeggs who bought the company from the receiver has signed a four year deal with Warner Brothers, the US film studios, to remake many of its old titles. The agreement could involve productions worth more than £100m and give a significant boost to the hard-pressed British film industry.

The first film to be made under the agreement, a remake of *The Quatermass Experiment* is expected to cost around $40m and will start filming in either London or Los Angeles in January. It will be the future feature film to be produced by hammer since Mr Skeggs bought the company eight years ago, although it has made television programmes.

Mr Skeggs who joined Hammer for four weeks 30 years ago and stayed on to be production supervisor on *Frankenstein* films said yesterday he had spent nearly five years reorganising the company and setting up the Warner Brothers agreement.

"I now have a wonderful deal," said Mr Skeggs who says he plans to stay away from remakes of *Dracula* and *Frankenstein*. That has been done already.

Quatermass will be followed by updates of *Stolen Face* and *The Devil Rides Out* and a new film *Hideous Whispers* to be directed by Richard Donner. The Warner Brothers agreement is with Hammer and Donner/Schuler-Donner Productions and involves developing film and television shows based both on the Hammer library and new material.

Mr Skeggs said yesterday a number of top directors including Martin Scorsese had already expressed interest in making pictures under the agreement.

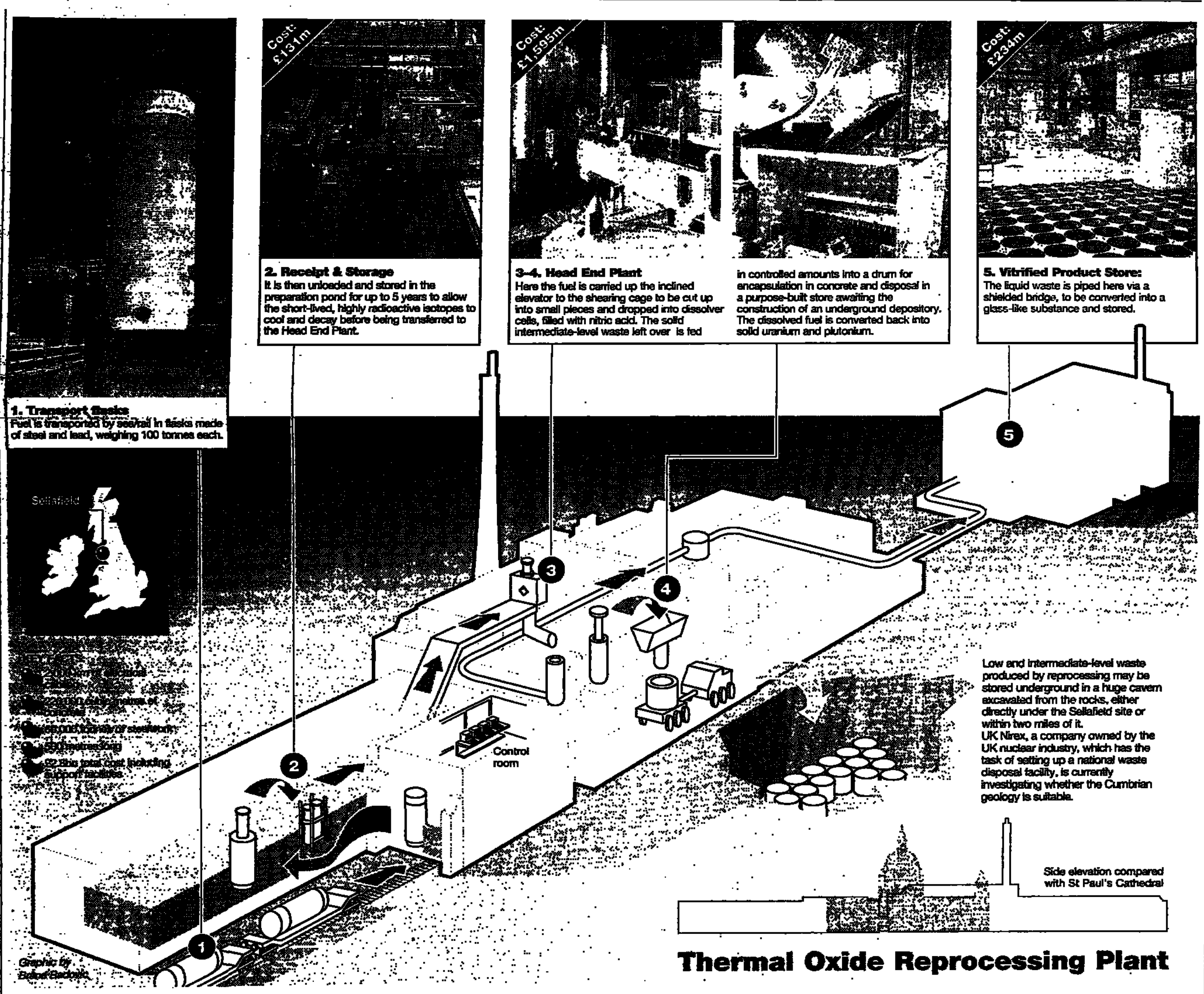
In addition to the films a new series of television programmes are to be made – *The Haunted House of Hammer*, 22 to be shot in London and 22 in Los Angeles. Oliver Reed will present 13 half hour programmes for Channel 4, *The World of Hammer*, to be transmitted in the autumn.

● Details emerged yesterday of two satellite television channels which will soon be broadcasting to the UK.

The Family Channel which will be part of the British Sky Broadcasting subscription package which launches on September emphasised yesterday it would be producing more original family programming than any other cable or satellite channel.

In its first British commission Action Time will produce 65 episodes of the game show Trivial Pursuit for the channel. Pearson owners of the Financial Times holds a significant stake in BSkyB.

Landmark Communications, the US media group which owns The Weather Channel and The Travel Channel in the US has confirmed that it is to launch its Travel Channel in Europe next year.



● Environmentalists query forecast ● Inspectors satisfied on safety ● Ministers ready to grant licence

Thorp reprocessing plant will earn UK £950m

By Bronwen Maddox, Environment Correspondent

THE THORP reprocessing plant will earn the UK £950m and will earn British Nuclear Fuels at least £1.8bn, the state-owned company said yesterday.

Those are the central claims of BNF's 50-page report which sets out the economic case for the plant, published yesterday. The government's second public consultation on the future of the controversial plant, which runs until October 4, will focus on economic and diplomatic questions. It promises to be as stormy as the first consultation, which ended in January, and which addressed only environmental issues.

Environmental groups yesterday criticised the government for not commissioning an independent study of the economic case for Thorp. They argued that the plant's profitability is likely to be much lower than BNF's figures suggest.

Friends of the Earth, the pressure group, said "the documents published by the Department of the Environment (DoE) do not demonstrate that opening Thorp is in the best interests of the economy or the environment".

Yesterday, however, it was unclear how much consideration the government intends to give to the responses to the consultation.

Ministers admitted that the decision to hold a second consultation was in response to the great degree of public interest in Britain and overseas and, in the words of one official, was a matter of "good governance".

But the government statement said these wider economic and diplomatic issues were "not relevant" legally to the final decision.

Ministers have said that they are "minded" to grant the plant a licence to start operation on the basis of the first public consultation.

The pollution inspectorate, which published its conclusions from that consultation yesterday, said it was satisfied that the proposed licence "would effectively protect human health, the safety of the food chain, and the environment generally".

In yesterday's report, BNF puts the cost of the Thorp plant at £1.9bn, and at £2.85bn including all associated facilities. The plant – part of the existing BNF site at Sellafield in Cumbria, north west England – is intended to take used or "spent" nuclear fuel and recycle it so that reusable uranium and plutonium are extracted, leaving a smaller pile of unusable radioactive waste.

Countdown to Thorp

- 1977: Go-ahead after public inquiry and two parliamentary debates
- February 1992: Construction of Thorp and adjoining plants completed at cost of £2.8bn
- November 16 1992: Pollution inspectorate and agriculture ministry begin public consultation on environmental implications
- January 1993: Date British Nuclear Fuels originally expected Thorp to start operation. Inspectorate extends consultation
- May 1993: Inspectorate passes report on public consultation to Environment Department (DoE). Attorney General tells department it may have to consider wider economic and diplomatic justification for plant to escape judicial review
- June 15: Cabinet committee backs early start-up of Thorp
- June 28: DoE and agriculture ministry announce second round of consultation to consider wider issues
- August 4: Start of public consultation
- October 4: Consultation due to end

The core of BNF's economic case is that Thorp is worth around £950m to the UK in the first 10 years of its operation. This figure weighs the costs to the country if Thorp were abandoned – loss of overseas revenue and storage costs of nuclear fuel – against the savings.

The estimate is in 1993 money – a discount rate of 8 per cent, standard in government projects, has been used to take account of the fact that much of the cost and revenue will not occur for years.

According to Friends of the Earth, the projections "are extremely sensitive to changes in assumptions about costs". BNF's report identifies some factors which could diminish the value of Thorp to the UK:

● Doubling the costs of decommissioning the plant – which BNF has put at £750m, or £1.2bn including all related facilities – would reduce the value in 1993 money by some £30m.

● Accelerating decommissioning by 15 years – perhaps because of insufficient orders beyond the first 10 years – would cut off £10m.

● A 10-year delay in starting the UK's proposed long-term underground store for radioactive waste would cut a further £10m. This project, run by UK Nirex, jointly owned by the UK nuclear industry, is currently scheduled to be ready early next century but has been hit by delays.

BNF argues that there is no reason to fear that the value of Thorp would suffer from an overrun in general operating costs, even though the nuclear industry has a poor record of overstepping its budget. In BNF's view, such overruns are "usually a feature of the construction phase". It adds that "even if there were to be unexpected operating cost increases, 60 per cent could be passed through contractually to overseas customers".

Environmental campaigners from Greenpeace and Friends of the Earth called last night for publication of the contracts without which, they said, it was impossible to judge that claim.

According to BNF, the estimate of Thorp's value is more likely to be too low. In particular, it does not take account of the "significant" unemployment in Cumbria. BNF says that Thorp would support 5,450 jobs directly and indirectly.

A related plant to produce "mixed oxide" fuel from the reprocessed fuel, which cannot go ahead without Thorp, would also support 3,000 construction jobs and 600 more long term, it said.

According to Pieda, the UK-based economic consultants employed by BNF, the cost to the UK of supporting redundant Thorp workers until they found equivalent new employment could add a further £500m to the value of Thorp to the UK.

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Britain in brief

BT signs deal with AT&T and Alcatel

British Telecommunications has signed contracts with US and French suppliers to test equipment that could lead to the next generation of advanced switches.

The contracts, with AT&T of the US and Alcatel of France, are for Asynchronous Transfer Mode (ATM) switches, which can handle far greater capacity, at greater speed, than existing switches.

Although the initial contracts are only for around £5m, the ATM trials could in a few years' time lead to contracts worth hundreds of millions. BT said the contracts were a "significant milestone" in the development of its network.

Consultation on EC aid funds

The government has issued a consultation document on which areas should be eligible for assistance under European Structural funds.

The European Community aid is designed to improve infrastructure, vocational training and other measures to help areas suffering structural problems. The consultation is aimed at selecting areas to be proposed to the European Commission to be designated as "Objective 2" – regions suffering from industrial decline – and "Objective 5b" for rural areas.

Cuts feared in embassy staff

The government has sharply reduced numbers of commercial staff at embassies in industrial countries to help UK exporters, according to figures published today by Mr Robin Cook, the opposition Labour party's trade spokesman. Mr Cook says only 131 staff worked in these jobs in 1991, 38 per cent down on the figure in 1979. He says the reductions show the government is not doing enough to help exports.

Changes in rail franchises

The government has announced changes in the shape of three of the 25 franchises for passenger services to be offered in when British Rail is privatised. The changes affect the franchises for Inter-City Cross Country, central division of Regional Railways and Regional Railways long-distance services.

Services currently operated by more than one BR profit centre will be assigned to the leading operator, under the final plans. This means that the Euston-Northampton-Birmingham services, for example, will be included in the franchise for Network South-East North.

Housing starts fall sharply

Housing starts fell to a seasonally adjusted 44,300 in the second quarter of 1993 from 47,200 in the first quarter, the Department of the Environment said.

Caribbean trip

Baroness Chalker, overseas development minister, leaves London tomorrow for the Caribbean where she will visit Barbados, Dominica and Anguilla for talks with ministers and senior officials. Britain provided £42m in aid for the area in 1991-92.

MANAGEMENT: MARKETING AND ADVERTISING

The man with no name

Bernard Simon on a Canadian retailer's crusade to outsell established brands with generic products

A glance at the bank of computer screens in Dave Nichol's Toronto office is enough to appreciate how the power in North American supermarkets is shifting away from brand-name groceries.

With a few clicks of his mouse, Nichol, president of Loblaw International Merchants, the marketing arm of Canada's biggest food retailer, calls up the latest weekly, brand-by-brand sales of ketchup in 200 Loblaw stores across Ontario.

The top performer, as is the case most weeks, is President's Choice, Loblaw's own brand. Products made by H.J. Heinz, the name synonymous with ketchup, are bunched further down the list.

The rows of data on the computer screen also explain Loblaw's determination to keep things that way. Every penny of profit from ketchup sales during this particular week came from President's Choice products. The average margin on Heinz and other manufacturers' brands was negative.

Nichol and his colleagues are in the forefront of a "brand-busting" crusade. Their confidence stems from signs that shoppers around the world are deserting the products promoted by powerful manufacturers, such as Procter & Gamble, Unilever, Coca-Cola, Philip Morris and Nestlé, in favour of high-quality but cheaper brands controlled by retailers.

Retailer-controlled brands are known by various names, including generic, private label and no-name. What they have in common is that their pricing, shelf space and promotion are entirely in the hands of the retailer, not the manufacturer.

Nichol is among those predicting doom and gloom for the old-style, manufacturer-controlled brands, also known in North America as national brands.

In a fiery speech, which he delivers every few weeks somewhere in North America, he maintains that food manufacturers are facing a "brand tax revolt" as consumers "slash away at all their traditional shopping habits to get better value for their money. Massive, bloated marketing and advertising budgets [are] designed to disguise the fact that [national brands] are nothing more than commodities masquerading as unique products".

Nichol predicts that "retailer-controlled brand penetration in excess of 40 per cent is inevitable in the US. Traditional food retailers who do not achieve these levels in the next 10 years will not survive".

In creating their own brands, Nichol and his boss, Richard Currie, president of Loblaw Companies, the parent organisation, readily acknowledge their debt to such European retailers as Marks and Spencer and Sainsbury in the UK, and France's Carrefour.

Loblaw has recruited managers from M&S's Canadian subsidiary, as well as from South Africa's Woolworths (not related to the F.W. Woolworth group), whose products and marketing strategies are closely modelled on M&S.

Retailer brands have a far higher market share in Europe than in North America. Saturation advertising on US television helped boost consumer awareness of national brands in the 1960s and 1970s. Furthermore, the food retailing business is more fragmented in North America and for many years the manufacturer has held the balance of power.

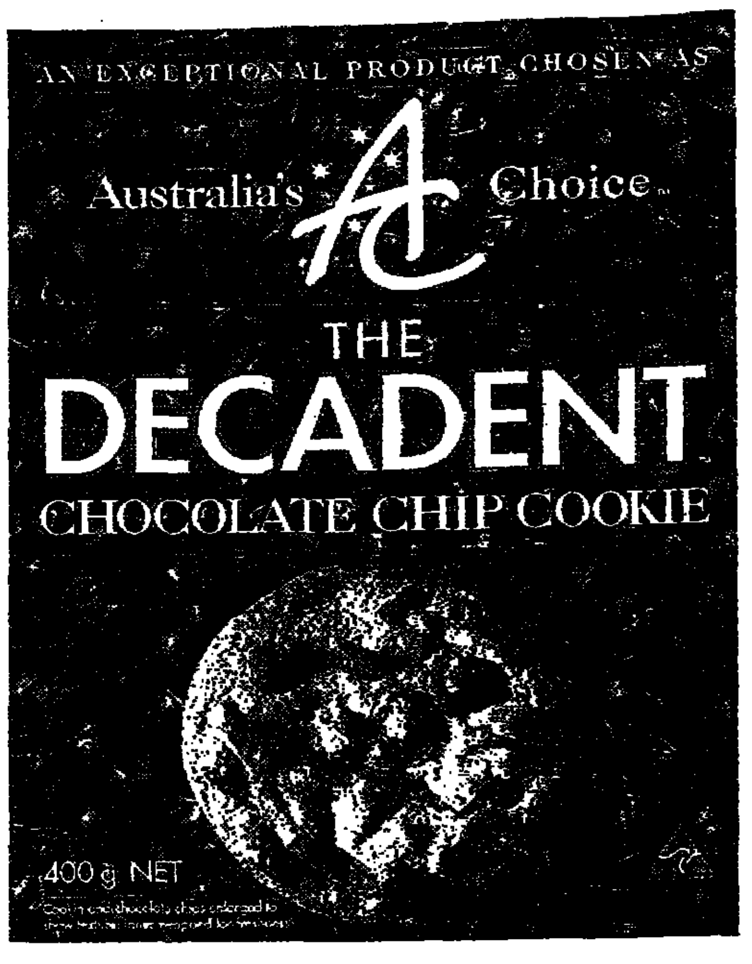
European retailers are still widely admired for their product development. But the struggle to take market share away from national brands has given North American chains such as Loblaw the edge in marketing and promotion. "I don't know whether anyone can match Dave Nichol as a salesman," says George Rosenbaum, president of Leo Shapiro & Associates, a Chicago market research company.

Loblaw's biggest breakthrough was the campaign that propelled President's Choice Decadent chocolate-chip cookies past a Nabisco product to become Canada's most popular biscuit. President's Choice overtook Nabisco by using butter instead of shortening, putting in 50 per cent more chocolate chips, and selling at a lower price.

The achievement is especially remarkable because President's Choice products are available at only about one-fifth of the supermarkets that stock Nabisco brands.

Loblaw's success in chocolate-chip cookies has wider implications. "If you want to buy Canada's best-selling cookie, you have to come to one of our stores," Nichol says. "When you have 100 unique products that have a franchise like the Decadent and are available only in your store, you're unbeatable."

One of Loblaw's most effective marketing tools is its 16-page Insider's Report, inserted in newspapers across Canada three or four times a year. The report advertises dozens of President's Choice products with the help of cartoons, a friendly, informal text and large slabs of yellow highlights on each page. Loblaw estimates that each edition of the Insider's Report generates sales of C$30m-C$50m (£15.60m-£26.00m).



Nichol also appears as the face of President's Choice in television and radio ads. Unlike most manufacturers, however, Loblaw has no outside advertising agency and uses its own studio. According to Nichol, the company produces its President's Choice television commercials for less than C$10,000 apiece - a fraction of the cost of an ad for a typical national brand such as Coca-Cola.

Loblaw recently started selling President's Choice recipe videos and has begun publishing an Insider's Report cook book, in which all the recipes have at least one President's Choice product as an essential ingredient.

The success of President's Choice in Canada has led Loblaw to start exporting its product-development and marketing expertise. It has helped Wal-Mart, the big US retailer, launch a variety of Sam's American Choice groceries, and other US chains sell products under the President's Choice label. Coles Myer, the largest Australian food retailer, last month introduced Australia's Choice snacks, juices and cookies (including Decadent). President's Choice products will appear on the shelves of Hong Kong's Park 'n Shop chain later this year.

These chains pay Loblaw a development fee. Currie and Nichol decline to reveal how much, beyond saying that it is far below what any retailer would pay to develop its own brands from scratch.

These licensing agreements are the start of what Nichol predicts will be a growing web of international alliances among retailers, determined to weaken manufacturers' influence on supermarket marketing and pricing strategies.

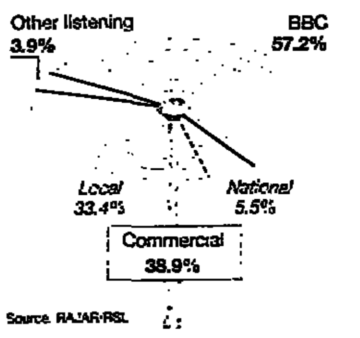
Loblaw and its licensees in the US and Australia are co-ordinating their orders this Christmas for several million dollars of chocolate-covered biscuits from Delacre, a Belgian manufacturer. The chances are that they have extracted much better terms by pooling their purchases than any one of the companies could have negotiated by itself.

Profitable tune from commercial radio

As stations win more listeners the task now is to woo advertisers, writes **Raymond Snoddy**

UK radio

Share of listening (%)



Source: RAJAR/RSL

Douglas McArthur, a former brand manager at Procter & Gamble, has been given the task of reversing a marketing disaster of classic proportions.

The problem is that the brand has been getting "better" all the time – 50 per cent in the past 10 years according to McArthur – yet its market share had scarcely increased at all.

The "brand" is commercial radio in the UK and McArthur is managing director of the Radio Advertising Bureau, the biggest effort made so far by the commercial radio industry – now 20 years old – to promote itself as an advertising medium.

The challenge he faces is to try to translate the growth in listening as new stations have come on air into extra advertising revenue.

There are now more than 100 individual commercial radio services in the UK and two national stations, Classic FM and Virgin. In addition, Atlantic 252, the pop station based in Ireland, reaches 60 per cent of the UK population.

McArthur's "marketing disaster" is that commercial radio is still stuck at around 2 per cent mark of total advertising revenue. The causes are partly historical. Commercial radio followed commercial television in the UK and has remained in its shadow.

Many national advertisers have simply ignored the medium, a process not helped by squabbling stations concentrating on short-term advantage and giving little thought to the longer-term promotion of their medium.

"We have discovered an immense amount of valuable, persuasive data for radio. The duty is on the industry to tell people. Advertisers just don't know about the benefits of radio," says McArthur. "Advertisers views on radio are rooted in guesses made many years ago and the industry has never made the time to tell them."

This week the Radio Advertising Bureau, which is funded by a group of major stations, went on the offensive using the latest official listening figures as ammunition.

At a press conference McArthur was able to announce that for the first time commercial radio had taken a 40 per cent share of the audience in its battle with the long-entrenched and substantially funded local, regional and national radio services of the BBC.

It was a symbolic moment even though to get to the 40 per cent mark in the three months from March to June, McArthur had to add in the 2.2 per cent share of listening won by Virgin 1215, the new national pop station, which had only been on air for seven weeks of the research period.

McArthur was also able to point out that the reach of commercial radio, the number of people who listen at least once a week, had climbed to a record 60 per cent including Virgin.

In London, where the choice ranges from easy listening and jazz to various tones of pop plus news and talk, commercial radio took a 58 per cent share of the audience.

While RAB claims that the commercial stations now have a stranglehold on the BBC go a little too far, McArthur was able to point to information about BBC listeners who hear their radio uninterrupted by advertising.

Some 41 per cent of the those who listen to the Today programme on BBC Radio 4 also listen to commercial radio and fans of The Archers (also on Radio 4) behave in a similar way.

Radio, at least in the morning, can compete effectively against television. At 8am, RAB points out, two and a half times more people are listening to commercial radio than are watching commercial television.

Despite the good news, McArthur believes there is only a brief window of opportunity for the radio industry to "really go for bust" and persuade advertisers to re-assess commercial radio in the wake of publicity surrounding the launch of the new national stations Classic and Virgin.

Apart from trumpeting the latest audience numbers during its first year, RAB has set up specialist teams to advise new advertisers to radio and assembled research including more than 200 case studies of successful use of radio as an advertising medium.

Within three years McArthur would like to add £50m in revenue to current commercial radio revenues of £150m. In a largely fixed-cost business that would mean £40m straight to the bottom line.

"Radio will not be a huge medium in three years. It will have a 3 per cent share of advertising. But stations will be immensely profitable and none of the other media will have noticed because an extra 1 per cent is a tiny share of anything," he says.

PEOPLE

Geest zips up Fisher

Geest, the fruit and produce group which slipped on a banana skin earlier this year, has hired an expert to run its banana business: Bob Fisher, 55, currently chief operating officer of Pacific Fruit Co (Noboa), an international banana group, and formerly president of Dole, another banana company.

Fisher, an American, joins Geest as managing director of Geest Banana Sector on September 1, two months after the new EC banana regime came into force. It was dumping of bananas in northern Europe ahead of the new regime which squashed banana prices and caused Geest to warn on interim profits at its annual meeting in May. Although continental banana prices have recently taken a turn for the better and Geest's shares have recovered of late, the interim results next month are expected to be gruesome.

At the same time, Geest is merging its slim-line main board with the management board. Stuart Anderson, Peter Macielinski and Douglas McGrath, all members of the management board, are joining the main board and the management board is being disbanded. Geest has also attracted Jim Maxmin, chief executive of Laura Ashley, the fashion and home furnishings manufacturer and retailer, as a non-executive director.

Rawel quits Eurocamp

■ **Julian Rawel**, sales and marketing director of EUROCAMP, the camping holiday group, is leaving after 16 years. He will not be replaced, as most of his responsibilities have been taken over by the directors of the group's subsidiary companies. Eurocamp says Rawel's departure is amicable; he intends to pursue other interests.

■ **Mark White** has been appointed company secretary at ROTORK on the retirement of David Hanton.

■ **Bryan Glasper** has been appointed director and general manager of PLYSU Housewares.

■ **Bryan Taker**, formerly human resources director of Gateway Foodmarkets, has been appointed head of human resources for the LADBROKE GROUP.

■ **Roger Maingot**, formerly md of Maranello Concessionaires, the Ferrari franchise in the UK, has been appointed md of the ROLEX Watch Co on the retirement of Iain Nelson.

■ **Roger Emerson**, formerly a partner of Coopers and Lybrand, has been appointed to the newly created post of director of taxation and treasury at GLAXO HOLDINGS.

■ **Edward Townsend**, formerly finance director of Dobson Park Industries, has been appointed finance director of ASW HOLDINGS.

■ **Chris Taylor** is promoted to take Townsend's place at DOBSON PARK INDUSTRIES. **Oliver Chapple** has resigned as chief executive; his duties will be temporarily assumed by Alan Kaye, the chairman.

■ **John Adams**, president of Adams Laboratories, one of MEDEVA's four US subsidiaries, has been appointed regional director of Medeva's American operations.

■ **Brendan O'Sullivan** has been appointed business development director of AVIS Fleet Services; he moves from the parent GE Capital.

■ **Tim Jolly**, a one-time divisional trading director at Asda, has been appointed merchandise director of SPAR; he is returning from Hong Kong where he has been buying and marketing director at Shop 'n Park.

■ **Mark Forbes** has been appointed md (designate) of TULIP INTERNATIONAL's UK bacon division.

■ **Ian Whitehead** has been appointed md of LMG William Thyne on the retirement of Bill Sinclair.

Heaps steps up at Britannia BSoc

John Heaps, 54, the new managing director of Britannia Building Society, the country's ninth biggest, says that his new job is not as big a step as it looks. He has been deputy managing director since October 1991 and as his boss, Michael Shaw, has been chairman of the Building Societies Association, Heaps has been running the society as the effective chief operating officer.

Shaw, who is expected to retire next year, has been appointed executive vice chairman and will continue to be chairman of Britannia Life, one of the UK's fastest growing life companies with assets of over £1.5bn.

Although Heaps stresses the continuity of management style, he is likely to adopt a higher public profile than Shaw. In addition, whereas Shaw had an accountancy background, Heaps has come up through the administration and information technology sides of the business. He was chief executive of Colne Building Society until it was bought by Britannia in 1983.

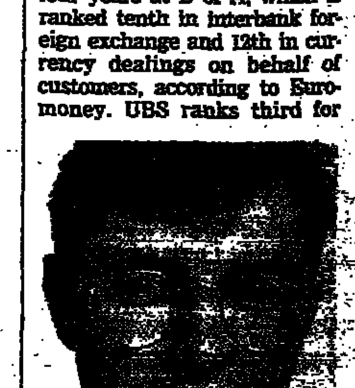
■ **Michael Whitehouse** (right), until last year operations director at the Halifax, has been appointed a non-executive director of the Skipton Building Society.

Cunningham moves to UBS

Adrian Cunningham, economic adviser at Bank of America in London, is moving across to UBS where he becomes senior currency economist. He will report to Paul Chertkow, head of global currency research, and replaces Avinash Persaud who departed for J.P. Morgan at the end of June.

With the virtual collapse of the ERM, there is plenty of scope for currency forecasters to shine at present. Coincidentally or not, recent months have seen a brisk trade in economists in general between a number of City institutions.

Cunningham, 31, has spent four years at B of A, which is ranked tenth in interbank foreign exchange and 12th in currency dealings on behalf of customers, according to Euromoney. UBS ranks third for



interbank transactions, but ninth for customers. Jeremy Hawkins, B of A's chief economic adviser in London, says he and Cunningham have been "reasonably bearish" as regards the fate of the ERM over the past six months.

Before his stint at B of A, Cunningham was the Reserve Bank of Australia's economist in London for a couple of years. In a rather unusual path to the City's frenetic dealing rooms, he had previously graduated from Leicester Poly, taken an MA in economics at Manchester University, worked for South Glamorgan Health Authority and then taught economics to A-level and Oxbridge candidates at Portsmouth grammar school.

■ **Michael Bartholomeusz**, formerly group treasurer at Ratners, has been appointed group treasurer at FIRST NATIONAL FINANCE CORPORATION; **Stanley Clayman** and **Keith Dalwood** have resigned from the board but remain with the group.

LEGAL NOTICES

SEYMOUR EQUIPMENT SERVICES
(UK) LIMITED
(In Liquidation)
Registered number: 854412

Trade Classification 22 - other retail
Date of appointment 22 July 1993
By whom appointed Barclays Bank plc
Date of charge 5 December 1989
Nature of charge Fixed and Floating
NIGEL DOUGLAS BACON and IPE JACOB
(office holder nos 7906 and 2122)
Joint Administrative Receivers of
Bryanston Court
Selden Hill
Hemel Hempstead
Herts HP2 4TN

Theatre

Time Of My Life

Always be wary of plays that dot about with chronology, moving backwards and forwards as the tale unfolds. There must be a suspicion that the device is used because the plot would not stand up if it were told in a straightforward way.

Alan Ayckbourn's *Time Of My Life*, slightly tightened up since it was first performed at Scarborough last year, just about pulls it off, but immediately there is another caution. This is not the Ayckbourn who was wont to set the house upon a roar with laughter. *Time Of My Life* stems more from the Alan Bennett school of *Talking Heads*. It is a play about sad, not very well educated people who do not always understand themselves, let alone each other. The overwhelming impression is that life is hard, not comic.

True, there are flashes when the old (or rather the younger) Ayckbourn is immediately identifiable. There is the wonderful part of Maureen the hairdresser, quite superbly played by Sophie Heyman. Maureen is not educated at all. She has only three books in her possession, but she can certainly be articulate. Every time Ms Heyman appears she has an even more exaggerated punk hair style. Possibly because she is the outsider, she manages to survive without undue tristesse, though it is notable that throughout the piece the women tend to be tougher than the men.

The rest of the cast make up an unhappy family. The Strattons own a northern building firm which may have cut corners and is now falling on hard times. Still, Gerry Stratton – played by Anton Rodgers – is celebrating his wife's birthday in the restaurant which the family has always used and where it again assembles for the occasion. Gradually, truths come out. Gerry's wife Laura (Gwen Taylor) confesses to having had a 15 minute-fling (if that is not too strong a word) with another man in 1974 – her only infidelity in 32 years of marriage.

Alastair Muir

A bit of a hotch-potch: Gwen Taylor and Anton Rodgers

Then there is the inquest. "We bought single beds in August 1970," Laura says. "It's engraved on my memory. I remember saying to myself 'goodbye the swinging sixties'." And perhaps, given the title, that is what the play is about. The earlier Ayckbourn was never so sombre. Even the set, confined to the northern restaurant, is designed to be drab. Gerry thinks he can drive confidently home, but is killed in a car crash; Laura survives.

Being Ayckbourn, of course, there are some depths and ironies. The characters sometimes believe they are happy when they are not and claim to be honest when they are no such thing. It is not deliberate hypocrisy, but rather a tortuous muddle. The grown up Stratton children turn out to make even less of a success of their lives than their parents, possibly (remembering Philip Larkin's line about the effects of Mum and Dad) because of their parents.

Some sections of the play are below standard, notably the suggestion that foreign waiters in a restaurant are funny just because they are foreign. In short, a bit of a hotch-potch. Ayckbourn directs himself.

Malcolm Rutherford

Vandeville Theatre. (071) 836 9987

Ballet/Clement Crisp

Dance Workshop Europe

During the performance of a Cherubini opera, Berlioz was driven by its Saharan tedium to shout out: "Twenty francs for an idea!" Given the state of the money market, I would have given a good deal more for the glimpse of a step, let alone an idea, as Tuesday night's offering of Euro-dance dragged on at the Place. "Dance Workshop Europe" is designed to give a collection of Common Market choreographers the chance to create during a period of five weeks, then show the fruit of their incubrations in Munich, London, Antwerp, Ghent, Angers.

The creators are, of course, exponents of what we must call modern dance. It is, linguistically, "modern", in that it happens now, but the pieces on view stretch the idea of "dance" to the outer limits of the glum and the pretentious. It was an evening as desperate in its fatuities as any I have sat through at The Place during twenty years before its choreographic mast

Modern Dance, of course, was the growth industry of the 1980s. Politically correct, Yoof-orientated, it made such inroads into the educational system that barely-trained (or untrained) young people were able to attend schools and colleges and emerge at the end of their studies as "dancers" and "choreographers". The fruit of this preposterous situation was the mushrooming of inept dance during the decade.

Now the Arts Council announces that Contemporary Dance will benefit from increased funding. Can this is an attempt to do something about the dreadful standards of certain of our groups? Does it merely show a sense of duty to a minority art? (Attendance and performance figures for some of the groups whom the Arts Council favours might be intriguingly compared with those of the popular and deserving London City Ballet whom the Council resolutely refused to assist, and effectively killed off). Any fostering of new contemporary dance might well consider its chance of survival, as well as its artistic credentials. We have significantly good ensembles, quite apart from LCDT or Rambert Dance: Lloyd Newson's DV8; Phoenix Dance; Kim Brandstrup's Arc Dance (with no subsidy), Laurie Booth and Russell Maliphant, Yolande Snaith, all produce fine work. Other enterprises merely debase the dance currency.

I could discern no merit in Claire Russ's *Heirs and Graces*, which was Britain's contribution to Tuesday's workshop. The given theme for the productions was "Removals". Miss Russ and her two companions offered a study in family life notable for its thin dance ideas and its reliance upon costume rather than action. Like so much of the new choreography (a word I use with reluctance on occasions like this) Miss Russ proposed something nearer amateur dramatics than dance. So did France's Christine Marneffe, whose *J'aimerais tant rester* looked like a *film noir* in serious trouble. Minimal steps; good lighting; two couples and dislocated activities were the ingredients. A bunch of carrots was lowered from the light-boom at one moment: very puzzling, since we had not ordered vegetables. Incomprehensible, and tiresome.

From Belgium came Veerle Bakelants with an exercise for three girls. They wore little green coveralls, and rushed about while Glenn Gould's piano arrangement of Richard Strauss's early violin sonata was played. That the dance ideas (debased ballet steps and a lot of falls) were exhausted after a few minutes meant that one could concentrate on Gould's pianism. Germany's Urs Dietrich emerged with some credit from the evening. His duet with Thomas Stich was a summer incident, set to bird-song, in which the two men indulged in games – ah, the joys of mime! – and, I expect, were supposed to be courting. Ho hum. But both chaps are fine dancers.

This Dance Workshop has support from the European Community. How much better were it if the Commission made possible an exchange of major troupes around Europe. It might, perish the thought, encourage audiences (and choreographers) to understand dance as an enriching experience rather than as therapy for the inadequate and the inexpert.

Concert/Richard Fairman

Kreizberg Prom

A young musician would be hard put to find a more receptive audience than at the Proms (the *BBC* Proms, as the programmes proudly remind us this year). At Tuesday's concert both the conductor and the soloist can be counted class of 1986 or '87, the years in which they respectively won major music competitions.

The Russian conductor Yakov Kreizberg won the Leopold Stokowski Conducting Competition in 1986. In Britain he is best known for his Glyndebourne debut with Janáček's *Jenufa*, widely counted a notable success. "Sensational" was one description trailed in the Proms prospectus, but quite misleadingly so, as it turned out. Whatever other strong characteristics he displayed, a taste for sensation was not among them.

It is tempting to plot a course showing how Tchaikovsky interpretation has changed in Russia since the war. The start would be Mravinsky, impassioned, volatile, always on the brink of hysteria; then Svetlanov, the master showman, making the symphonies highly-charged melodramas. But it seems the younger generation do not see Tchaikovsky in that way, as Valery Gergiev's cultured performances have already suggested.

Kreizberg conducted the Sixth Symphony at his Prom – once the ultimate invitation to indulge the emotions, but not here. The performance was crisp, rhythmical, underplayed. Where conductors used to throw caution to the winds, even if balance and ensemble flew out of control too, Kreizberg kept a firm grip on every detail. So clear and decisive were his intentions that it was surprising the BBC Symphony Orchestra's playing was not sharper still. Where his view of the symphony impressed, it did so by clarity of thought and understatement.

A clean, purposeful, classical style also provided the orchestral foundation for Chopin's Second Piano Concerto with Vladimir Ovchinikov (the 1987 prizewinner at Leeds). No dawdling was allowed, or any indulgent self-communing, but that probably suited Ovchinikov, whose likes to hit every note with crystal clarity, just touching in the poetry of the music.

As though to make youth feature in each item on the programme, the evening had begun with Rakhmaninov's early *Spring* cantata. In later life the composer was to look back with disdain on his orchestration in this score, but it was difficult to see why in Kreizberg's expressive, never indulgent performance. The BBC Symphony Chorus enunciated the Russian text with diligent clarity and David Wilson-Johnson sang well as the bass soloist, who is saved from murdering his adulterous wife by the arrival of Spring. Knowing that Shalyapin was the original singer does, however, put a very different gloss on the work.

Cinema/Nigel Andrews

Hell is other movies

The RSPCA – Royal Society for the Protection of Cartoon Animals – should be out in force this week. *Tom And Jerry The Movie* and *Teenage Mutant Ninja Turtles 3* subject a cat, a mouse and four half-shell humanoids to indignities more frightful than the worst we ever visited on our own pets.

Even small children would draw the line at stretching their favourite doggy or moggy on a Procrustean rack. But the cinema thinks nothing of taking beasties who originated in short, sprightly cartoons (Tom and Jerry) or comic-strips (Turtles) and extending them sinew by creaking sinew into feature length and/or triple sequelitis.

The Andrews Theory on this goes as follows. Hollywood cannot understand the concept of small. If something is small and successful, the laws of nature are being broken and that item must be made large and successful. If a Hollywood mogul found a Fabergé egg on his desk he would, with righteous artistic indignation, set about turning it into a geodesic dome.

Tom And Jerry The Movie is 90 mirthless minutes in which the feline and rodent who once gladdened our hearts by chasing each other round the booby-trapped ideal homes of America – showing the Id alive even within the suburban Super-Ego – cosy up together to rescue an orphan girl *(sic)* and tearfully to reunite her with her missing father *(etiam sic)*. It is as if Tom and Jerry had wandered into a lost Lillian Gish movie. Not even the film's two best turns – a suave, George Sanders-accented villain and a skateboarding dog – can stop all hands going down with the ice-floe.

Turtles 3 is something stranger, eerier. Is conceptual stupidity becoming an elemental force in modern cinema? The four shell-backed heroes who delight in pizzas and New York slang (actually more like L.A. Valleyspeak migrated to Manhattan) are here teleported to 17th century Japan. Here there is no pizza supplier; no encouraging environment for cries of "Excellent!" or "Cowabunga!" (though of course everyone speaks English); and no sign of a plot worth the name in writer-director Stuart Gillard's script about time-hopping Samurai.

I came closer to something resembling an after-death experience with this film than with any other I remember seeing. A tunnel of blackness seemed to open up, followed by unearthly choirs singing of a luminous dimension in which the movie would end and one would find celestial quarantine from lines like "I'll melt you into a steaming puddle of puke" or from watching four amphibians dance, fight, crack jokes and fall over.

Like last week's *Last Action Hero*, *TMNT3* is dementedly self-referential and cine-referential. Note the turtle who rescues a child from a burning building and cracks "Eat your heart out, Kurt Russell" (see *Backdraft*, Act 2, Scene 3). But unlike the amiable Arnie adventure, it is less postmodern than pushbutton-Pavlovian. If nothing else will trick the filmgoer's mouth into a grin, goes the makers' thinking, perhaps we can try the tired invocation of rival filmic favourites. But in a context this arch and involuted already, Hell, as Jean-Paul Sartre once almost observed, is other movies.

★

The Snapper, directed by Stephen Frears from Roddy Doyle's script of his own novel, has nothing to do with turtles: except by psycho-behavioural analogy. When, if you are a single Dublin 20-year-old (Tina Kellegher) made pregnant by an older married man, should you stick your head out from under your shell and tell your family?

If you do, Mum will make silent gaping motions like a distraught guppy. Younger sister, wearing shaving-cream beard and toy soldier costume, will carry on her Ruritanian bandleader practice. And Dad will go comprehensively spare: spluttering patriarchally one moment, rushing to the library the next to swot up sex-and-birth manuals.

TOM AND JERRY THE MOVIE (U)
Phil Roman

TEENAGE MUTANT NINJA TURTLES 3 (PG)
Stuart Gillard

THE SNAPPER (15)
Stephen Frears

NUIT ET JOUR (15)
Chantal Akerman

PUERTO ESCONDIDO (15)
Gabriele Salvatores

Tina Kellegher and baby in 'The Snapper'

Already shown on television by the BBC (who produced it), *The Snapper* now gets a late cinematic Caesarean and bursts into the larger light of the movie screen. It is not quite happy there. The TV-movie's natural foetal postures – cramped framing, sitcom comic set-ups, close-knit gossip sessions between Sharon and her chums at the pub – get scared by all the new space around them. And author Doyle, who had a proper movie birth in the all-singing-and-dancing *The Commitments*, must here hew more prosaically to his original story's straight and narrow.

But you cannot fault Colm Meaney's performance as Dad, which alone eats up all space available to it. This paterfamilias has no idea how to react to an unravelling domestic world, so he tries every different reaction in turn. Anger; sorrow; bewilderment; scientific research; denial. ("The uterus is pressing into my bladder" says the girl. "Stop it, Sharon, I don't want to hear things like that.") Finally, he just tries being himself and the Meaney face – a comic chunk of wood with features nervously chipped into it – warms into a glow of fatherly compassion as touching as it is well-observed and unsentimental.

Nuit Et Jour is a readimix French art movie for those who are too young ever to have seen the real thing. (The country virtually stopped making them years ago.) Cabbie Jack (Thomas Langmann) loves pretty gamine Julie (Guillaine Londez) and they live in a Paris flat big on colour co-ordination and small on social life. ("Perhaps we ought to meet someone," he suggests. "Next year," she replies). Their *amour* and *bonheur* are, however, enough for them. As the voice-over crooningly if ironically explains, "They used to make love almost in their sleep and that 'almost' was very important."

The voice-over is female and the film was written and directed by the once-reckonable Chantal Akerman *(Jeanne Dielmann*, *Toute Une Nuit)*. But the poor woman has obviously been knocked on the head by a pile of woman's magazines falling from her overcrowded bookshelf. This winsome nonsense might have been penned by Sylvie Krin with a little help – for what is a French film without pretension? – from Marguerite Duras. I especially winced at the scene where an interior wall is knocked down on the grounds that "everything will then be clearer."

Ah, possibly. But then again perhaps not. These characters would not recognise clarity if it jumped up and bit them. Outside the window is a painted backdrop of Paris: so Pirandellian. Inside, the blue pillows are set off against red floral wallpaper to match the lovers' own two-tone clothing (he blue, she red). And when Julie succumbs to a fling with another man, Jack's fellow cabbie Joseph, we start wandering about a Paris that resembles a vast Toytown *film noir*.

For this is the world of designer existentialism. Here moods, emotions and sexual identities are defined by play-block colours and pinbright symbolism: that sort of sophisticated *naiveté*, winking even as it dispenses wisdom, that came in and should have gone straight out again with *Les Parapluies de Cherbourg*.

In a difficult week you might try Italy's *Puerto Escondido*, written and directed by Gabriele Salvatores. As in Signor S's *Mediterraneo*, a small group of characters seek a world out of time but find time and and the world catching up with them. Banker Mario (Diego Abantuono) flees Milan for Mexico, to escape a homicidal police commissioner who took a mysterious pot-shot at him in the bank's loo.

But malefactors turn friendly. (As *Mediterraneo* pointed out, our only true enemy is ourselves). Soon the smiling cop comes West to join Mario's other new friend, a crook who robbed him and then befriended him. And added to the genially self-destructive mix are a girl (Valeria Golino), a bedraggled fighting cock called Tyson and a storyline so picaresque it makes *Don Quixote* seem like a O Henry story. Very slow but very (if you have the time) engaging.

INTERNATIONAL ARTS GUIDE

■ BATIGNANO

The second of this summer's productions at Adam Pollock's intimate, outdoor opera festival, Musica Nel Chiostro, is Bernstein's Candide: six performances between Aug 7 and 15 (0564-38096)

■ DROTTNINGHOLM

This month's performances include Una cosa rara by Mozart's Spanish contemporary Vicente Martin Y Soler conducted by Nicholas McGegan (tomorrow and Sun) and Figaro, a ballet-pantomime after Beaumarchais, choreographed by Ivo Cramer with anonymous 18th century music arranged and conducted by John Lanchbery (Aug 27-Sep 4). Ruggero Raimondi gives a recital on Aug 13 (08-660 8225)

■ BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of Fedora, with Mara Zampieri in the title role, has a final performance in the Festspielhaus tonight. David Pountney's spectacular outdoor production of Nabucco, designed by Stefanos Lazaridis, continues with four or five performances each week till Aug 22. Donald Runnicles conducts the Vienna Symphony Orchestra in works by Beethoven and Shostakovich on Mon, and the closing concert on Aug 23 features the Moscow Radio Symphony Orchestra conducted by Vladimir Fedosseyev (05574-4920 224)

■ SALZBURG

Gerard Mortier's second festival may be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's Coriolanus alongside a revival of Peter Stein's 1992 production of Julius Caesar. This year's new opera productions are Cosi fan tutte with Cecilia Bartoli and Jennifer Larmore, Lucio Silla (Cambreling/Mussbach, with Ann Murray and Luba Orgonasova) and Monteverdi's Poppea (Harnoncourt/Flimm, with Sylvia McNair and Philip Langridge). Revivals include Salome (Dohnanyi/Bondy, with Catherine Malfitano and Bryn Terfel) and Falstaff (Solti/Ronconi, with José van Dam). There are concert performances of Dallapiccola's Ulisse and Nono's Prometeo. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and Vienna Philharmonic under Ozawa and Levine. A notable occasion will be the farewell concert on Mon of Christa Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31 (0662-844501)

■ EDINBURGH

This year's festival (Aug 15-Sep 4) includes performances of Janacek's first opera Sarka and three Verdi operas (Oberto, I Due Foscari, Falstaff), an exhaustive survey of the work of young Scottish composer James MacMillan, and several Schubert recitals. Visiting orchestras include the Leipzig Gewandhaus with Masur, the Oslo Philharmonic with Jansons and the South West German Radio Symphony with soloist Alfred Brendel. The drama programme includes Peter Stein's 1992 Salzburg Festival production of Shakespeare's Julius Caesar, a modern Aeschylus production by Peter Sellars, and the Bob Wilson/Gertrude Stein theatre piece Dr Faustus Lights the Lights. The dance programme is limited to Mark Morris' troupe and Bill T. Jones (Telephone bookings for official festival: 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257)

■ LUCERNE

This year's programme, opening on Aug 14, focuses on anniversary celebrations of Tchaikovsky and Rachmaninov, with Alfred Schnittke as the festival's first-ever composer in residence. Visitors from Russia include the Bolshoi Opera Orchestra and Chorus, the St Petersburg Capella Choir and Orchestra and the Russian National Orchestra with Mikhail Pletnev. There will be a Rachmaninov piano marathon with Barry Douglas and others, the world premiere of a new work by Edison Denisov and a Schnittke ballet programme. Visiting orchestras include the Berlin, Vienna and Oslo Philharmonics, with artists ranging from Yuri Bashmet to Abbado, Barenboim, Järvi and Sawallisch. There is also a daytime amateur music festival from Aug 16 to 21, including workshops supervised by professional musicians. For those wanting a break from the music, there are trips on the lake, up the Pilatus and Rigi mountains and to the Transport Museum and Lion Monument. Ends Sep 8 (041-235272)

■ MONTREUX

This year's festival (Aug 20-Sep 24) is the first to take advantage of Montreux's new lakeside concert hall, the Auditorium Stravinsky. Montreux has never been known for its thematic content, but this year features a series devoted to French chamber music, including rare works by Reynaldo Hahn, Vincent d'Indy and Charles-Valentin Alkan. The line-up of artists includes Alicia de Larrocha, Teresa Berganza, Barbara Hendricks, Pinchas Zukerman and the Royal Concertgebouw, Bavarian Radio Symphony and St Petersburg Philharmonic Orchestras (021-963 5450)

■ OSLO

Norwegian violinist Arve Tellefsen, founder-director of the Oslo Chamber Music Festival (Aug 6-14), has drawn together friends and colleagues for an attractive anniversary tribute to Grieg, his contemporaries and compatriots. Artists appearing at the festival include Swedish baritone Hakan Hagegard, Jan Garbarek Jazz Quartet, Nordic Youth Orchestra, Norwegian cellist Truls Mork and pianist Tedd Joselson. Three festival concerts take place in Bergen, for which a special train has been chartered to take the audience through the scenery which was Grieg's inspiration (2255 2553)

■ PESARO

The Rossini opera festival opens next Mon with the first of four performances of Armida, staged by Luca Ronconi and conducted by Daniele Gatti, with a cast led by Anna Caterina Antonacci, Ramon Vargas and Jeffrey Francis. This year's other production is a revival of the Pizzi staging of Maometto II starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini on Aug 18, and Maurizio Pollini gives a piano recital on Aug 21. Ends Aug 22 (0721-33184)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Thomas Hampson's recital tonight is called an Evening of American Song. In tomorrow's orchestral concert, Seiji Ozawa conducts Beethoven's Fourth Piano Concerto (Maria Tipo) and Tchaikovsky's Sixth Symphony. Sat: David Zinman conducts an all-Mendelssohn programme, with Midori playing the Violin Concerto. Sun: Ozawa conducts Mahler's Third Symphony, with mezzo soloist Tatiana Troyanos. Next week features a blockbuster series of concerts with Les Arts Florissants, Evgeny Kissin, Pinchas Zukerman, Itzhak Perlman, the Israel Philharmonic under Zubin Mehta and the Boston Symphony under Simon Rattle. After the BSO series ends on Aug 31, there will be four jazz concerts featuring Oscar Peterson, Count Basie Orchestra, Ramsey Lewis and Tony Bennett (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

■ VERONA

This year's operas are Cav and Pag, Carmen, La traviata and Aida. Cav and Pag runs till Aug 14 with casts including Giovanna Casolla and Lando Bartolini. Martha Senn and Elena Zaremba alternate in the title role of Carmen, which runs till Aug 29. Adriana Morelli and Maria Spacagna alternate as Violetta in La traviata (till Aug 30), and Aida has a cast led by Maria Dragoni, Kristian Johansson, Bonaldo Giaiotti and Paolo Gavanelli (till Aug 27). In the second half of August, there will be four performances of Khachaturian's ballet Spartacus (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-596517 fax 045 801 3287)

ARTS GUIDE

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Soft shoe shuffle

John Ridding on the politics of moves at the top of French industry

Mr Loïk Le Floch-Prigent, chairman of Elf Aquitaine, yesterday cleared his desk at the top of Elf tower *in western Paris*. Removed from his post by the government, he will leave the state-controlled group, which is also France's largest industrial concern, to take over as head of Gaz de France, the state utility.

On the other side of the River Seine, Mr Philippe Jaffré, chairman of Crédit Agricole, the country's largest bank, was similarly occupied. Chosen by the government as the next head of Elf, he will exchange overdrafts for oil exploration and loan policies for petrochemicals projects.

The musical chairs at the top levels of corporate France demonstrates the extent to which the lines between the country's business and politics remain blurred. "There is no clear separation of powers as in the US and the UK," said a French banker. "The hand of the government is still in evidence."

For foreign investors, unused to the French practice of parachuting new chairmen into public companies, this may provoke concerns – especially as the government prepares to launch its programme to privatise 21 state-owned companies. In particular, investors are faced with the questions of whether Mr Le Floch-Prigent's departure heralds broader changes at the top of state-controlled industry, and what effects such reshuffles have on the companies involved.

In the case of Elf itself, named last month as one of the first four companies to be privatised, there might appear to be cause for concern. Mr Jaffré has a formidable financial background, having spent eight years at the treasury and having run Crédit Agricole since 1988. But he has no experience of running an industrial company. Moreover, he takes the helm at a time when the oil group is confronting difficult markets.

Mr Le Floch-Prigent, credited *with strengthening Elf in international* markets, has warned that depressed demand in the petrochemicals and basic chemicals sectors will mean that operating profits for the first half of 1993 will show a fall of about 25 per cent compared with the same period last year. "I don't see much improvement in these areas this year," Mr Le Floch-Prigent, said at the end of last month.

But investors and oil industry observers appear relaxed about the change. "Mr Le Floch-Prigent did a good job, but Mr Jaffré appears to be a very able manager," said one international fund manager whose company holds shares in the oil group.

French industry officials argue that Mr Jaffré will inherit a strong team of senior executives and that his experience of privatisation – while working in the treasury during the earlier privatisation programme of 1986-1988 – will be a big advantage in the forthcoming sale of the state's 50.7 per cent stake in Elf.

If the selection of Mr Jaffré has met largely with approval, however, international investors are wary that the move signals the government's intention to retain a grip on the running of the oil group, particularly since it has said it intends to keep a "golden share" in the company. Investors also hope that Mr Floch-Prigent's departure will not be the start of broader changes at the top of French public companies.

"A certain amount of reshuffling comes with the territory in France," said one fund manager. "But if it is widespread then of course it is unsettling for investors and may mean that political motives are at work."

There is little doubt that *political motives were a factor* in the changes at Elf. A socialist himself, Mr Le Floch-Prigent was appointed to head the group in 1989 by the socialist President François Mitterrand. The fact that in 1981 and 1982 he advised Mr Pierre Dreyfus, then industry minister in the socialist government, on the nationalisation programme, has damaged his credentials in the eyes of the current centre-right government of Mr Edouard Balladur.

But the message from Mr Le Floch-Prigent's exit is more that the Balladur government is following a pragmatic rather than a political approach to its relations with state-owned groups. "*It might have* appeared unusual for someone with Mr Le Floch-Prigent's background to spearhead the government's privatisation campaign," said Mr David Harrington, head of research at James Capel in Paris.

Pragmatic as opposed to political motives are also suggested by the fact that Mr Jaffré is regarded as politically neutral. During his spell at the treasury he worked under both socialist and conservative governments.

The Balladur government has also limited its intervention in state-owned industries. It has refrained from implementing a "witch-hunt" of top public sector executives as happened, for example, when the socialists took office in 1981 and when the conservative government of Mr Jacques Chirac came to power in 1986. Under the current government, the only other change at the top of a *state-owned* company was the appointment in May of Mr Michel Pebereau as chairman of Banque Nationale de Paris in place of Mr René Thomas.

"The hand of the state is still at work," said one oil industry observer in Paris. "But under Balladur it seems to be wearing a velvet glove."

The test of the "velvet glove" is likely to come as the government moves down the list of companies to be privatised and the temptation arises to put their own people in place before the controls of the state are loosened.

Most of the current chairmen seem relatively secure, although merchant bankers in Paris say that question marks remain over Mr Jean-Yves Haberer, chairman of the Crédit Lyonnais banking group and possibly Mr Alain Gomez, head of Thomson, the electronics company.

Both chairmen have links with the Socialist party. Mr *Gomez was appointed by a* socialist government 11 years ago, while Mr Haberer had close ties with Mr Pierre Bérégovoy, the late Socialist prime minister. Both companies have also been suffering losses, although they say they expect recovery this year.

But with neither Thomson nor Credit Lyonnais facing imminent privatisation, and with Mr Balladur's cautious approach, their chairmen seem safe behind their desks for the time being at least.

The UK Treasury has gone on the offence against critics in defence of its role, says **John Willman**

The scapegoat butts back

Tony Andrews/Ashley Ashwood

Sprucing up its image: Sir Terry Burns (left) has released a spirited defence of the Treasury

Criticised by many, *loved by few, Her* Majesty's Treasury is one of the favourite targets of UK public life.

Industry alleges that it is biased towards the City and blames it for the decline of British manufacturing. Business leaders accuse the Treasury of refusing to allow the much-needed investment in infrastructure that would improve international competitiveness. Economists charge it with responsibility for UK economic decline – including mismanagement of sterling.

Within Whitehall, the Treasury is the all-purpose scapegoat for ministers and mandarins alike. It is the bank that loves to say "no", the department that counts the pennies and ignores value for money. Rare is the minister who cannot find some role for the Treasury in explaining away departmental policy failures.

In an unusual riposte, Sir Terry Burns, permanent secretary at the Treasury since 1991, has attempted to answer his department's critics. Today, he *releases a spirited defence* of* the Treasury in which he strongly rebuts many of the criticisms and explains how those that he *believes* are well-founded have been addressed.

Sir Terry acknowledges that much of the criticism of the Treasury's role relates to its powerful position at the heart of Whitehall. Its tasks include functions that in most other countries are divided between an economics ministry, a finance ministry and a separate budget office to control public expenditure. It also manages civil service pay, supervises the financial services industry and is responsible for economic forecasting.

Managing the economy is the Treasury's highest-profile role, although it absorbs less than one-fifth of the department's 1,400 civil servants. That role has often come under fire, most recently after the events surrounding sterling's ignominious departure from the *European exchange rate mechanism* in September 1992. There has been an intense debate over the Treasury's responsibility for monetary policy, with increasing support for handing it over to an independent central bank.

Sir Terry can see the attractions of such a move, especially since the European Community intends to place monetary policy in the hands of an independent European central bank as a step on *the road to monetary union.*

He denies that there is a *strong Treasury orthodoxy* against an independent central bank (or on any other issues). But he is at pains to set out the *complications involved* in a change that he believes has assumed totemic significance among commentators.

"The demand for greater independence of the central bank has come to be the most popular single answer to the problem of inflation that was once reserved for the ERM." But there are advantages, he says, in elected politicians – rather than unaccountable central bankers – making decisions about, for example, the trade-offs between inflation and growth. "'Not the government' is not a guarantee of wisdom," he observes.

Much of the popular wisdom about the Treasury's alleged incompetence stems from the record of its forecasters. Although their predictions have been no worse than others over the longer term, their forecasting errors attract widespread attention.

Sir Terry says that he is "amazed" at the importance given to the forecasts outside the Treasury's Great George Street headquarters. Its predictions are an important input *into policymaking, but not the* only one – and ministers are *well aware of their frailty*. "Meanwhile, the other 1,400 people in the central Treasury suffer the frustration of seeing their efforts judged by *the forecasts* of 30 or so economists," he adds.

A more recent subject for attack has been the Treasury's alleged bias against manufacturing industry. Mr Howard Davies, director-general of the Confederation of British Industry, is one who has criticised the Treasury for its attitudes to business in the past.

> **'We can do more to explain the background to decisions' – Sir Terry Burns**

Sir Terry accepts that there have been too few direct contacts between Treasury staff and industry in the past. This may have meant that officials have not always asked questions about the implications of economic policy for business. It also meant that industry was often ill-informed about Treasury thinking. "We can do more to explain the back*ground to decisions,*" he says.

Treasury officials are now encouraged to spend time in industry, and a panel of industrialists has been created to offer advice. A "supply-side" *unit* has also been set up to give greater salience to business concerns in Treasury deliberations.

These steps are welcomed by Mr Davies: "The Treasury has always had an interest in thinking about what a decision means for the financial markets. Now they are trying to think about what it means for manufacturing industry."

Within Whitehall, the Treasury exerts powerful control over public expenditure. No department can spend money without its agreement which, as Sir Terry drily observes, "means it has a keen interest in much of the business of every department".

In departments and agencies, that interest is often seen as a central grip which *stifles* innovation and encourages counting of candle ends. Even though the government is committed to delegation of financial management to the lowest possible level in the public services, the Treasury is often seen as reluctant to let go.

Chief executives of government agencies complain that, while they are given performance targets to meet large budgets and responsibility over them, *they* are constantly second-guessed by Treasury officials questioning decisions.

Treasury accounting rules are also needlessly inflexible, according to the chief executive of one agency. "I have very little discretion about moving money from one purpose to another, or rolling over unspent money from one year to another," he says.

Many Treasury officials feel uncomfortable about delegating responsibility for spending money to departments and agencies. From experience, they believe that departments are often less rigorous in controlling expenditure.

At the top of the Treasury, there is a strong collective memory of 1976, when loss of control over public expenditure led to a sterling crisis and the intervention of the International Monetary Fund. As young high-flyers, many had to tighten their hold on public spending at the behest of the IMF, and are determined not to repeat the experience.

Sir Terry Burns is not scarred by that memory – he joined the Treasury from academia only in 1980. He says there has been a move to a more strategic approach to public expenditure, in which the Treasury helps to determine priorities, sets targets and monitors progress. Increasingly, departments are left to ensure that targets are met.

"This all involves the Treasury much less in the details of programmes and rather more in the bigger question of priorities," he says.

It is that strategic role for the Treasury, as a sort of head office of Whitehall plc, that Sir Terry is anxious to defend. Rather than dividing the Treasury into separate ministries for economics and finance, for example, he wants it to continue to pull together "all the strands of economic policy-making across the government's programme".

Sir Terry doesn't expect much thanks for this – as King James said of treasurers: "If they do good service to their masters, [they] must be generally hated." But he is prepared to accept that the Treasury must adapt to changing circumstances and develop a clearer focus on its objectives.

** Some Reflections on the Treasury, to be published by Edward Elgar in the autumn in a collection of essays to mark the 60th birthday of Sir James Ball, professor of economics at the London Business School*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Waste elimination is 'green' priority

From Mr Charlie Kronick.

Sir, If costs are to be at least partially the basis of future environment and energy policies in the UK ("High cost of going green", August 2), then *it is unlikely* that nuclear power will be a part of any policy designed to reduce carbon dioxide emissions (CO_2) from electricity generation.

The recently published results of Nuclear Electric paint a rather grim picture of that company's economic future. Take away the subsidy of more than £1.2bn received each year from the electricity consumer, and Nuclear Electric made an operating loss of £783m in the financial year 1991-1992, and £661m in 1992-1993, while at the same *time stacking up new liabilities* for waste and decommissioning of almost £1.2bn (to be added to the existing liabilities of almost £20bn). Meanwhile, it is not just the environmentalists who are pointing out the potential of energy efficiency and renewable energy. In 1989, the Department of Energy identified cost effective energy savings potential of 30 per cent, with a pay-back period of less than five years. Analysis of data from the government's Energy Efficiency Office, submitted to the government's recent review of the coal industry, shows that investment in nuclear power is only one quarter as effective in reducing CO_2 as the poorest of the energy efficiency measures examined. Money spent on nuclear power is only just over half as effective as modern renewable technologies such as wind power in reducing CO_2 emissions. Fully one third of the CO_2 reductions are available at negative costs.

If the UK is serious about reducing CO_2 emissions, the first item on its "green" agenda must be to put an end to waste; not just the waste of energy, but the waste of money on dangerously polluting and massively expensive technologies such as nuclear power.

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Short contracts and 'hire and fire' mentality behind job anxiety

From Mr Patrick Dennis.

Sir, Rachel Johnson's article, "Theories behind feel-bad factor" (August 2), omitted several important reasons why people are still increasingly anxious about losing their jobs – in particular compared with *the previous economic cycle.*

The rising trend towards short-term contracts, part-time (especially female) employ*ment and the development of a* "hire and fire" mentality among employers have been crucial. Also relevant would be the more even distribution of unemployment, both geographically and occupationally. Moreover, employment is still falling, despite the recent falls *in unemployment. This is a* consequence not only of the reduced numbers of those of school-leaving age, but also of school leavers and women *being discouraged from entering* the labour market. When many women lose their jobs, they do not qualify for unem*ployment benefits so* are not registered as unemployed.

Is it not time the UK started to put increasing emphasis on *employment figures*, as they do in the US, rather than exclusively on unemployment figures? Finally, it is worth noting that the greater fear of *unemployment is an important* reason why average annual earnings growth has fallen to just 3.75 per cent, compared with 7 per cent in the previous economic cycle.

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Risk and the cost of capital

From Mr Jeremy Lever.

Sir, Lex (August 2) suggests that if electricity companies operate with "too much" equity, they incur an "unneces*sarily high cost of capital". But* surely a company's weighted average cost of capital depends on the riskiness of its *operations and is independent* of the company's gearing and hence of the proportion of that risk borne by shareholders and *bond-holders* respectively.

Thus, the higher the gearing, the smaller the equity base that is called on to bear the primary risk: therefore the riskier the equity and, in principle, the higher the equity's *beta*. This should offset the effect of the high gearing in reducing the proportion of the company's total capital that incurs the debt-equity premium. Otherwise companies could reduce their cost of capital simply by increasing their gearing – as indeed Lex seems to believe.

Has Homer nodded?

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M&S's plans for Brooks Brothers

From Sir Richard Greenbury.

Sir, Nikki Tait's report on *Brooks Brothers was* inaccurate and misleading (Management, July 8).

First of all, it is quite clear *from the report that Miss Tait* has no understanding of the factory outlet business. When it was originally introduced by *other retailers it was*, as described in the article, for the clearance of surplus stocks, etc. It has moved on since then quite dramatically, with *thousands* of stores having been developed by all the great names in American retailing. Together with "Outlet Malls", it has developed into the fastest growing sector in a highly competitive American retail scene.

Almost all factory outlets are distinguished by low occupancy costs and more flexible staffing arrangements, which enable a retailer to sell the same full-price product that he is selling in the mainline store at a significantly lower price, while still making a profit. I think you will find that even companies like Ralph Lauren now trade very successfully in such stores. That is why Brooks Brothers has become involved and the sales performance, together with the profitability that is developing, is clear for all to see and should have been equally so to your reporter.

We certainly did change the archaic remuneration scheme which provided our sales staff with an average annual salary of \$49,000, which of course means that many were earning *as much as* \$70,000-\$80,000 per annum. This level of remuneration was almost twice the national average and the *majority of staff* accepted a very modest change to their bonus system, bearing in mind the mass unemployment that has *occurred in* American retailing over the past five years.

We have not cut back on capital expenditure *in* Brooks Brothers and continue to give it the necessary funds to modernise its stores, and in particular to develop new information and distribution systems. Frankly, without these, it would have no future.

We are not trying to *popular*ise Brooks: clearly this would not be in its interests and we are not so stupid as to think it would be. Brooks Brothers, however, cannot develop and grow based upon a declining number of ageing Wall Street customers and must broaden its base at least into the 40-year-olds, while of course maintaining the loyalty of its more traditional customers. We are succeeding with this policy.

It is not surprising that we are struggling to match the 1988 results: so are most other American retailers; some of the greatest names are either in the bankruptcy courts or have already closed down. It may come as a surprise to Nikki Tait, but the American retail scene has been in recession for the past few years and continues to be so. Throughout that time, Brooks Brothers has consistently made a profit, which is more than can be said for many of them.

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FINANCIAL TIMES
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Thursday August 5 1993

The choice over Sarajevo

AT ALMOST every turn during the grisly demise of Bosnia-Hercegovina, the governments of the US and the European Community have somehow contrived to make a desperate situation worse. By prematurely recognising a state which did not enjoy the support of many of its own citizens, they helped to precipitate the civil war. By issuing threats against the Serbian aggressors, they raised hopes among the mainly Moslem victims; by failing to carry out those threats, they further emboldened the aggressors. In the absence of effective western pressure on the Serbs and Croats the international mediators have merely assisted in Bosnia's dismemberment.

Now, unless the latest flurry of international concern produces radically different results, the final humiliation seems to be at hand. In Bosnia itself, the fighting rages as fiercely as ever with UN humanitarian troops looking impotently on. In Geneva, EC and UN mediators play midwives to the partition of Bosnia into ethnic mini-states and press the Moslems formally to accept their defeat. Worst of all, in Sarajevo, defeat for the Moslems looks like turning into disaster as the Serbs complete a ring of artillery on strategic heights round the capital.

And what is the west's response? More meetings, which *may* – provided command structures and objectives can be agreed – result in air strikes against the Serbs. Small wonder that President Milosevic and his Bosnian proxies seem unconcerned.

There is, in fact, at least a possibility that Tuesday's Nato agreement – under heavy US pressure – to resort to air strikes unless the Serbs stop their "strangulation" of Sarajevo, will produce results. America's allies having swallowed their reservations about the risks to their ground troops and agreed to so explicit a threat, it is hard to see how they can avoid following through.

The question remains: what can air strikes on their own be expected to achieve? The Bosnian conflict, as much as any war, is about control and denial of territory; it is fought on the ground, with infantry, tanks and artillery. Air power may be of some use as a political signal, but its influence on the actual fighting will be marginal at best unless it forms part of a more carefully thought-out overall strategy for the defence of Sarajevo. Given that the Clinton administration has refused to deploy ground forces in Bosnia, it is ill-qualified to take the lead in elaborating such a strategy. Those who do have troops *in situ* under the UN flag must thus urgently start work on one themselves.

To demand this is simply to ask that western countries fulfil their own pledge to create, and defend, "safe areas" for the Moslems and prevent Serbia and Croatia from completely carving up Bosnia between them. If Sarajevo falls, that pledge, like all the others, will be exposed; two-way partition will be complete; and Europe east as well as west will be faced with an increasing influx of uprooted, stateless, desperate people. It is a tragedy that must be prevented.

Changing Japan

IN THE LAST 30 years the world has got used to thinking of Japan as a great economic power, one of whose strengths was that it combined formal democracy with total political stability. Japanese prime ministers came and went, but few outside Japan remembered their names. They did not matter because they all belonged to the same Liberal Democratic party (LDP), and their individual impact on policy was negligible. These septuagenarians succeeded each other according to an elaborate queueing system, modified by an endless and obscure struggle between factions with no discernible political content. Japanese politicians were assumed (like politicians in several other democracies) to be corrupt, to a greater or lesser degree, but that did not matter either. It was all part of the system, and there was no prospect of it changing.

Today, however, it will change. The parliament elected last month has to choose between two candidates for prime minister, both in their mid 50s. Barring some extraordinary last-minute hitch, it will elect Mr Morihiro Hosokawa, the leader of the Japan New Party. The LDP will go into opposition for the first time in its 38-year history. Ms Takako Doi, a woman and a socialist, will become speaker of the lower house.

This will not mean any immediate or dramatic change in Japanese policy. The new government is composed of seven parties ranging in ideology from socialist via Buddhist to conservative. The policies on which they have been able to agree are, in so far as they have yet been spelt out, essentially a continuation of the previous government's – especially in those areas such as foreign affairs and economics which are of greatest interest to the outside world.

The main agenda of the new government is "political reform", but even the content of that is not too clear, beyond a pledge to introduce a new electoral system in which half the MPs will be elected in single-member constituencies, the other half by proportional representation. (The present one, involving a single, non-transferable vote in multi-member constituencies, discourages opposition parties from putting up enough candidates to win a majority, lest they spread their votes too thinly, and has therefore tended to perpetuate the LDP majority.)

The LDP hopes confidently, and not without some reason, that on the details of this and other issues the coalition will soon fall apart, enabling it to return to office on the basis of a deal with one or more of the smaller parties. But even if that happens, Japanese politics will still have changed irreversibly. A new generation has taken over, without waiting until it has passed what in other countries would be retirement age. A single-party system has been replaced by a multi-party one. From now on politicians and the electorate will both know that the latter can turn the former out of office. Japanese democracy has come of age.

Nuclear decision

THE SECOND round of public consultation on the £2.8bn Thorp nuclear reprocessing plant offers a chance for full consideration of this enormous and controversial project, which has taken nearly 10 years to build. Unfortunately, the government's statement yesterday suggests that this opportunity may be missed.

There are two areas which need to be addressed: environmental and economic. Ministers say that environmental considerations were adequately covered by the first public consultation which ended in January and that they are now "minded to grant" authorisation. Although the second public consultation calls for comments on economic and diplomatic factors, the government adds that these are "not relevant" to its eventual decision.

This narrow interpretation of ministers' remit is not satisfactory. If British Nuclear Fuels, the plant's owner, makes a loss, the taxpayer will foot the bill; if reprocessing saddles its main UK customers, Nuclear Electric and Scottish Nuclear, with unnecessarily high costs, the electricity consumer may face higher charges. The economic case must be explored without prejudice.

The consultation documents issued yesterday make an unpromising start. They contain only part of a key report by Touche Ross which is the basis of BNF's profit projections, and the government has not endorsed or separately audited BNF's figures.

Nor do they include enough to permit a judgment to be made about BNF's claim that cancellation would cost the UK £900m in cash flow - a figure which is partly dependent on BNF meeting its cost targets. Furthermore, important details of BNF's contracts with its main overseas customers, German and Japanese utilities, are withheld. Ministers recently suggested that if Thorp were cancelled, compensation to customers could run to £5bn. However, the report puts the maximum at £4bn and adds that the contracts provide BNF with "robust legal protection" against this event.

An independent examination of the economic case is the minimum needed to answer these uncertainties. But the government should also address the question of whether the UK and Thorp's customers might collectively benefit from cancelling the plant. This possibility, known as the "win-win" option, has been diplomatically inaccessible because all sides fear they might be liable for penalties if they initiated cancellation.

Taken to one extreme, this option might even encompass sending Thorp's key components to Japanese utilities, who make up a third of the plant's order book and who have funded much of its construction. The Japanese government, which is planning its own reprocessing plant, is concerned about the prospect of shipping reprocessed plutonium back from Thorp. If the second public consultation is not to be a rubber stamp, the government should consider these issues fully.

Long slog to a smooth landing

China's economic tsar is trying to impose a tough stabilisation programme to prevent overheating, writes Tony Walker

The stakes could scarcely be higher: for Mr Zhu Rongji, who was entrusted last month with wide-ranging powers to restrain China's runaway economy; for foreign investors who have poured billions of dollars into China in the past decade; and for the country itself.

Failure by the reformist Mr Zhu, China's senior vice-premier in charge of the economy, to regain control, and more importantly to curb inflation, would almost certainly invite pressures from Communist party conservatives for more decisive action, thus risking a return to the boom-and-bust cycle of the 1980s.

Mr Zhu, known colloquially as China's economic tsar, has wasted little time in seeking to impose a tough stabilisation programme since panicky colleagues handed him unprecedented powers over the economy. His initial efforts to restrain inflation, restore order to China's chaotic public finances, and to curb rampant speculation in land and other commodities appear to be making an impact; but he must be well aware that it will be months before he can claim a semblance of victory, and perhaps at least a year before it is possible to judge whether his medicine is working.

In the meantime, for foreign investors no less than for Chinese enterprises and provincial governments, the paramount question is whether China is able to avoid the "hard landing" that afflicted its economy in 1988-89 during a previous period of severe retrenchment.

Western officials and Chinese economists believe that the stabilisation plan, with its credit curbs and much-needed measures to impose financial discipline, stands a reasonable chance of success, but they also predict a "bumpy" road ahead.

While Chinese officials continue to talk of "macro-economic controls" to slow growth, which reached an annual real rate of 13.9 per cent in the first six months of this year, they have been obliged to resort to cruder methods to achieve their ends. These have included a series of administrative measures, such as demands that banks and financial intermediaries call in loans for speculative real estate projects, and a mandatory requirement that both public and private-sector employees purchase unsold government bonds to help fund the budget deficit of more than 80bn yuan ($14bn).

The appointment of someone of Mr Zhu's seniority reflects worries about loss of party control over the provinces

The central authorities have also fallen back on a practice often employed in the past when they felt their will was being ignored: "investigation teams" have been dispatched to the provinces, ostensibly to report on local developments, but in reality to enforce directives. Mr Zhu's appointment as governor of the People's Bank of China, the central bank, along with his other responsibilities as senior vice-premier in charge of the economy, was designed to send a powerful signal to provincial officials and representatives of financial institutions that they ignore central government edicts at their peril.

The appointment of someone of Mr Zhu's seniority to head the central bank is a sign not only of the depths of the leadership's panic about an economy spiralling out of control; it also reflects deepening worries about an erosion of party control over the provinces. Economic liberalisation and devolution of power had come to be seen not as the promise of a glorious new dawn, but as a monster threatening to devour its master.

It is perhaps a tribute to Mr Zhu's force of personality that he appears, for the moment, to have imposed a new sense of sobriety on hyperactive provincial chiefs who had sought to outbid each other in a scramble for investment funds. The Chinese press is crowded with the statements of local officials admitting their overzealousness, and committing themselves to the stabilisation programme.

But this bout of self-criticism probably derives as much from an age-old tendency of Chinese officials to set their sails to the prevailing wind, while biding their time for the next wind-shift, as it does from genuine remorse. Mr Zhu, who will accumulate enemies during this retrenchment phase, must know that he can hardly afford to falter.

While his confirmation as the supreme figure in charge of China's economy provides considerable opportunities for his advancement, it also makes him especially vulnerable should things go awry, at a time when the leadership itself is unstable as manoeuvring intensifies in preparation for the post-Deng Xiaoping era. Mr Zhu also suffers from the lack of an independent power base: as a former Shanghai mayor he is a relative newcomer to Beijing's higher echelons.

China has been in transition from one generation of leaders to the next for the past couple of years, but the worst of the factional conflict can be contained as long as Mr Deng, or those speaking for him, remains a force behind the scenes. Chinese officials have discounted the recent spate of rumours about Deng's deteriorating health, but there is no doubt that he is much frailer now than he was a year ago.

But Deng's recent reference to problems with China's peasants, suggesting that their "burden has already surpassed the limits of their endurance" certainly helped to focus attention on one of the most critical problems facing the government. Unrest in the countryside is being fuelled by growing resentment over disparities in wealth between urban and rural areas. Average rural per capita net income is about Yn770 annually, less than half that of urban dwellers.

Peasant unhappiness over the income gap, and crippling taxes and levies, spilled over into dozens of incidents in the past year across the country, including the storming in June of government offices in a county headquarters near Sichuan's capital, Chengdu, where angry farmers held local officials captive to protest against the levying of a road-building fee.

Increasing restiveness among China's 900m rural dwellers has preoccupied the leadership for months, and was certainly a catalyst for the stabilisation programme, one aim of which is the redirection of investment to agriculture, which had been starved of funds as "hot money" poured into industrial development zones and real estate projects in coastal regions.

Significantly, the authorities have suspended all price reforms for the rest of this year. A principal cause of farmers' unhappiness has been the sharp rise in the costs of agricultural inputs, such as fertilisers and pesticides, along with the difficulties they have faced in redeeming IOUs, in effect promissory notes, for grain acquired compulsorily by the state.

Farmers have been promised that the backlog of billions of yuan in IOUs will be honoured, but with the authorities seeking to restrain rapid money supply growth, the promised pay-out will squeeze funds available elsewhere in the economy. Chinese participants in prospective joint ventures have, for months, been putting pressure on their foreign partners to secure additional investment funds abroad as sources of domestic funding dried up. Foreign investors can expect more of this in the coming period as the government enforces its credit curbs.

Not least of the challenges facing Mr Zhu is a pervasive corruption that reaches high into the Communist party itself. With China's laws still evolving, and with the system having entered a murky transitional phase between a centrally planned and a market economy, opportunities for corrupt officials to profit have become almost boundless, especially in the area of land allocation for real estate. The embryonic privatisation process is also proving fertile ground for officials seeking to feather their own nests in an opaque system where back-door deals tend to be the rule rather than the exception.

Mr Zhu and his supporters appear to have acted with restraint so far in dealing with officials in the financial sector who have engaged in a welter of unauthorised lending, either through banks or, more commonly, through affiliated financial intermediaries such as "trust and investment" companies (similar to venture capital groups) that have mushroomed across the country. Mr Zhu is thought to want to avoid giving the impression at this stage that he is about to launch a vendetta for sins committed during a previous period of lax central bank control. He knows that he cannot purge the system without risking further chaos at this delicate stage.

The main task facing the authorities is to ease pressures on prices. Anecdotal evidence suggests that the cocktail of credit restrictions and two increases in interest rates since May may be having an effect. Prices for building materials such as steel and cement have dropped by about 15 per cent in the past two months, and a property boom in coastal regions is flagging.

But consumer prices are likely to prove more resistant to measures adopted thus far, especially in view of the fact that in May and June urban inflation exceeded 20 per cent on an annualised basis, according to a western economist in Beijing, who noted that the authorities had been coy about producing specific details for these months. The cost of living in urban areas for the first six months of the year was 17 per cent higher than for the same period of last year.

Officials are concerned that inflation and inflationary expectations have become so embedded that interrupting the spiral will prove difficult without resort to harsher administrative measures that would fly in the face of the market reforms to which China's leaders claim they are committed. But, judging by recent official statements, the temptation to intervene more severely by strengthening the price control regime for some essential commodities may prove irresistible if measures adopted thus far fail to check the price spiral. On the macro level, further increases in interest rates would seem to be unavoidable.

Other priorities include strengthening the Chinese yuan, which depreciated in the past year by more than 50 per cent against the dollar on the officially sanctioned currency swap markets where the bulk of foreign exchange transactions are conducted. It has recovered some ground against the dollar since Mr Zhu took command, and this is being hailed as an early success. However, the central bank has been obliged on several occasions to intervene to support the yuan at around nine to the dollar. The official exchange rate remains at Yn5.7 to the dollar.

If all the above challenges are not more than enough for one man, China's economic tsar is also being obliged to respond to pressures to reverse the country's deteriorating balance of trade, which recorded a deficit of $3.54bn in the first six months of the year compared with a healthy surplus last year. Chinese officials have pledged to bring about an improvement in China's terms of trade without resort to administrative measures such as import curbs.

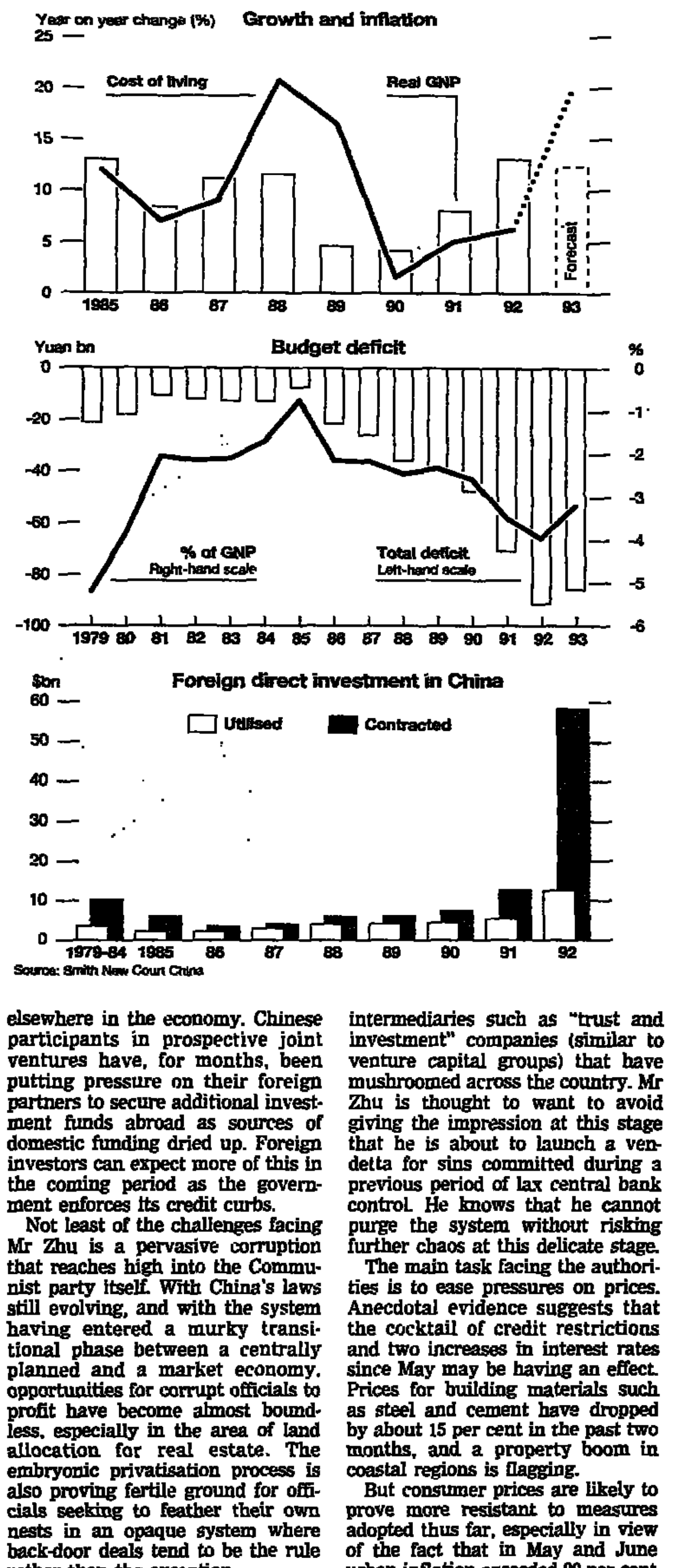
If the trade gap continues to widen, Beijing's central planners might find it difficult to resist intervening, although western officials point out that such a move would undermine China's case for membership of the General Agreement on Tariffs and Trade. Western officials also believe that China, with adequate foreign exchange reserves of about $20bn, would be mistaken if it became too preoccupied with reducing a "manageable" deficit on its trade account at a time when its "modernising" economy is continuing to grow at an anticipated rate this year of about 11 per cent, and at forecast rates of 8-9 per cent for the rest of this decade.

If the trade gap continues to widen, Beijing's central planners might find it difficult to resist intervening

Burdened though he is by the challenges involved in stabilising China's economy, Mr Zhu also insists that he is committed to pressing ahead with reforms so as not to lose the momentum generated over the past few years. Among his most urgent targets are a further rationalisation of state industries such as iron and steel, which accumulated losses last year in the order of $76bn, and a drastic overhaul of an archaic banking sector. The banks have largely been left alone, but reform is long overdue if China is to move further down the road towards a market economy. China's banks operate like cashiers, rather than agents of economic activity.

Few would envy Mr Zhu his task. But a hopeful sign for foreign investors and for the Chinese is that, on this occasion – unlike 1988-89 when the economy was brought to a virtual standstill by a series of tough administrative measures – it is the reformists and not party conservatives who have seized the initiative. The question is whether a lighter hand will achieve results quickly enough to enable the reformists to claim an early victory. The signs are that Mr Zhu and his supporters are in for a long, hard slog. Success is far from assured.

China: applying the brakes



Source: Smith New Court China

OBSERVER

When bigger is better

■ If the staff of the Leeds Permanent Building Society think that they will have no problem getting on with their close neighbours in Bradford then they had better brace themselves for the jargon from the new chief executive they are inheriting from National Provincial. Less well-travelled Yorkshire folk might be forgiven for thinking that N&P's David O'Brien belongs to some sort of Moonie sect.

O'Brien, 52, an ex-IBM man, has only been running N&P for three years and for most of the time has been engrossed in a "business re-design" programme. Bent on replacing the functional hierarchy with a new culture based on teamwork, O'Brien talks of a world in which staff are players, a meeting is a team event, a task is a journey and jobs have become roles.

When O'Brien takes his new seat on the direction management team – sorry, board – of what will be one of Britain's top three building societies, one of his first tasks will be to rationalise the way the latest corporate move squares with his earlier thoughts on the subject of size.

"To think business is about acquiring other people is missing the whole point," he told a colleague a few months ago. "Business is about developing a revenue stream from your customers . . . It's a very temporary phenomenon. Those companies that grew [in the 1980s] are a bloody mess now. They did nothing about ensuring that the revenue is coming in year in year out." Presumably, O'Brien has a larger field to work on now,

Backfiring

■ Princess Paola Ruffo di Calabria, soon to be the new Queen of Belgium, is famous for her disdain of excessive protocol. According to one US news agency report she was barred from the Vatican in 1969 because she turned up in a miniskirt. As if this were not bad enough, the report adds that "In Rome, she was seen driving around in Vespas..."

Handy men

■ No prizes for guessing which countries earned top marks at the 32nd International Youth Skill Olympiad just closed in Taiwan. Of course – the host nation and South Korea, producing 30 medals between them.

Less predictable was the fact that joint fifth, with Austria, and ahead of the impeccably highly qualified Germans was, yes, Britain. Overcoming a reputation for a lousy workforce with a paucity of skills, the Brits managed three silver and six bronze medals, with five diplomas of excellence to boot.

Round the other side of the world, British yoof shone particularly in construction skills, with medals in bricklaying, stonemasonry, plastering, plumbing and joinery. Why on earth can't they do it at home?

'Is it me or are the hedgehogs getting bigger?'

Ball's up

■ Onto Observer's desk yesterday landed an article by Treasury permanent secretary Sir Terence Burns, one of the Treasury's great survivors, destined for a book of essays to be published this autumn marking Sir James Ball's 60th. He and Sir Terence were big buddies at the London Business School.

What a ghastly thought if the Brits should be aping that irritating little German habit of bringing out a so-called Festschrift commemorating significant birthdays or retirements of corporate worthies. Pompous Germans issue Festschrifts because there is no equivalent of the Times Court Circular page. In practice, they are chunky tomes that mostly just gather dust on otherwise empty office bookshelves.

Next equation

■ By contrast with Sir James's former pupils, the Legal and General insurance group didn't do anything to mark its chairman's 60th birthday last month. Any celebrating will have to wait until next May when Sir James finally steps down after 14 years at the helm.

However, bets are already being placed on who will take over the L&G chair. Will it pick another business academic or, following the Prudential's example, will it promote David Prosser, the current chief executive? Given that Prosser has only been in his job for a couple of years and is still under 50, the betting must be that Ball will be replaced by an existing non-executive director.

BET chairman Sir Christopher Harding would seem the favourite but given his increasingly full portfolio, BAA chief executive Sir John Egan could stand a chance.

Of course, L&G could be really brave and appoint a female chairman. Jones Lang Wootton's formidable Honor Chapman, for example, has just gone on the board. She is one of the very few women to have made it to the top in the male-dominated property industry.

If Sir Christopher Benson, ex-boss of MEPC, is right for Sun Alliance, surely a case could be made for Chapman at L&G?

Debased

■ Norman Lamont, the ex-chancellor of the exchequer and former Master of the Royal Mint, may be free from the cares of office but his problems persist.

Only this week he was reported on the train from Norwich trying to buy a cup of coffee with old 10p pieces.

Seems a bit of a liberty for a man who ordered that the coins would no longer be legal tender after the end of June.

Grounded

■ Daddy, daddy, does the current crisis over the future of the exchange rate mechanism mean that Emu is a dead duck?

I should think so, son; it certainly won't fly.

FINANCIAL TIMES
Thursday August 5 1993

Izetbegovic's return hinges on Serb withdrawal

Talks in jeopardy as Sarajevo siege tightens

By Laura Silber in Geneva and Gillian Tett in London

PEACE TALKS on Bosnia yesterday appeared on the verge of collapse after a three-day boycott by Mr Alija Izetbegovic, the Bosnian President, in protest against a Bosnian Serb assault on strategic heights overlooking Sarajevo.

After Mr Izetbegovic said he would return to the talks, Bosnian Serb leader Radovan Karadzic and Mr Mate Boban, his Croat counterpart, said they would leave Geneva on Wednesday night but may return on Friday, Mr John Mills, a spokesman for the Geneva peace talks said. The Presidents of Serbia and Croatia, their patrons, were also due to leave.

Mr Mills said international mediators Lord Owen and Mr Thorvald Stoltenberg hoped that there would now be a meeting between the three main protagonists tomorrow.

Mr Izetbegovic's return to the negotiating table hinged on Serb forces complying with a 24 hour deadline to withdraw from key mountains around Sarajevo they seized recently.

General Ratko Mladic, commander of the Bosnian Serb forces, refused to withdraw from positions on Mount Bjelasnica and Mount Igman, in spite of Nato acceptance of a US proposals earlier this week to carry out air strikes if the Bosnian Serbs did not end their "strangulation" of Sarajevo.

Gen Mladic reportedly told a UN commander at Sarajevo airport: "Our forces are at the summits of Bjelasnica and Igman. If you want you can go see for yourselves."

The fall of Mt Igman would tighten the Serbian siege around Sarajevo and give the Serbian artillery strategic control over Sarajevo's airfield.

General Mladic's statement was in apparent defiance of promises made in Geneva by Mr Karadzic that the Serbs would place the mountains under UN control.

Nato officials met UN officials in the former Yugoslavia to discuss the logistics of the air strikes. But diplomatic sources indicated that disagreement remained about how the Nato-endorsed action would fit in with existing UN resolutions and the UN lead command in Bosnia.

Although Washington has demanded that any air strikes be carried out under the control of General Jeremy Boorda, the US Nato commander of Allied Forces Southern Europe, France continued to insist that the action should be co-ordinated by the French commander of UN troops in Bosnia, General Jean Cot.

In London, a ministerial delegation from the Organisation of the Islamic Conference sought to step up the pressure on the UN to defend the Moslems. After meeting Mr Douglas Hurd, British foreign secretary, Mr Abdus Sattar, Pakistan's foreign minister, insisted that conditions for an air strike were in place.

Editorial Comment, Page 9

Kuwaiti treasures resurface in London

By Jimmy Burns in London

PART OF a private collection of antiques worth millions of dollars taken from Kuwait by the Iraqis during their seven-month occupation of the emirate has turned up at Sotheby's, the international art dealers, in London.

British police believe the antiques may belong to a collection of Islamic art looted from the villa in Kuwait City of Mr Yasim Homaizi, a businessman. European police forces are investigating the possibility that Jordan may have been used as a diversionary route for the antiques.

When the Iraqi occupation ended in 1991, the Homaizi collection – containing manuscripts, carpets, metal work and pottery – was included in an official claim against Iraq for compensation which was channelled through the United Nations.

As a result of UN pressure, Iraq returned antiques belonging to the Kuwaiti royal family which had been housed in the national museum.

But the Homaizi antiques, one of the world's biggest private collections of Islamic art, were not returned. Their whereabouts remained a mystery until a few months ago, when Sotheby's received a package for auction from Amman containing a 12th-13th century brass candle stick which it subsequently identified as part of the missing Homaizi collection.

In London, police confirmed yesterday that they had arrested a man, believed to be a Jordanian, in connection with some $400,000 worth of antiques.

It is understood that the arrest follows the identification of further Kuwaiti antique items which have been routed to London via Amman.

Sotheby's is a founder of the computerised International Art Loss Register, set up to alert dealers around the world to suspected stolen goods.

Emerging details on the whereabouts of the Kuwaiti antiques is likely to bring embarrassment to the Jordanian government. It comes against a background of reports that Jordan was used as a diversionary route for stolen goods and arms during and after the Iraqi occupation of Kuwait.

British N-fuel reprocessing plant likely to be approved

By Bronwen Maddox, Environment Correspondent, in London

THE BRITISH government said yesterday it was "minded" to give the go-ahead to the controversial £2.8bn ($4.17bn) Thorp nuclear reprocessing plant. A further round of consultation into the project will now begin.

The plant, which has taken nearly 10 years to build, is designed to extract reusable uranium and plutonium from used nuclear fuel. Environmentalists, who have called it Britain's biggest white elephant, argue that the attractions of reprocessing have diminished since the project was given initial approval in 1977.

British Nuclear Fuels, owner of the plant in Cumbria, north-west England, said in one of the consultation documents published yesterday that Thorp would earn some £950m for the UK and about £1.8bn for BNF in the first 10 years of its life.

Mr John Guinness, BNF's chairman, said he welcomed the government's support and said he hoped Thorp would be given the go-ahead without further delays. The consultation is due to end on October 4 and the government could make a final decision by the end of the year.

Ministers are calling for comments on the economic case for the plant and on the dangers of nuclear weapons proliferation before deciding whether to award a licence to start operation.

But they drew sharp criticism from opposition members of parliament and environmentalists with the statement that these wider economic and diplomatic questions were legally "not relevant" to the government's eventual decision. It was up to BNF to assess the commercial benefits of Thorp, they said.

Greenpeace, the pressure group, said it was "considering what legal steps it will be necessary to take in order to ensure that this consultation is more than just a sham".

It has threatened to mount a legal challenge if the government does not adequately consider the economic and diplomatic issues.

The first public consultation, which ended in January, addressed only environmental and health issues. The pollution inspectorate said yesterday it had received 80,000 responses but had found "no points of substance" to cause it to reconsider the terms of the draft licence.

Its 200-page report, published yesterday, said the proposed licence would "effectively protect human health, the food chain and the environment generally".

Background and diagram, Page 5

THE LEX COLUMN

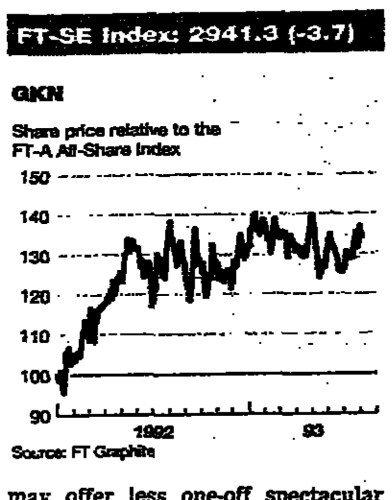
A Yorkshire pudding

When two building societies justify a merger by mouthing platitudes about synergy and economies of scale, the natural temptation is to rummage through their reserves. But, rare though it may be, the merger between the two Yorkshire-based societies, Leeds and National & Provincial, is not driven by desperation. Rather, it really does reflect the desire to become bigger and better. A national society with 650 branches and £32bn of assets is undoubtedly big. Whether it can operate more efficiently will depend on its determination to cut savagely both societies' bloated costs. The danger is, though, that too drastic surgery will only antagonise staff and customers alike. The experience of the *Nationwide* and Anglia merger is hardly a happy precedent.

A broader worry is that size alone will prove no more than a temporary palliative against competitive threats. Building societies are losing share in the mortgage market at a brisk rate. This is partly a cyclical phenomenon as the well of retail funding dries up as a result of low interest rates. Arguably, it also reflects a structural change as banks target the mortgage market more aggressively.

The banks are unlikely to fret much about an enlarged Leeds. But their nerves would fray if more building societies agglomerated, converted themselves into banks and broadened their distribution of financial products. That may yet prove Leeds's ultimate destiny. Such entities would be well placed to compete in providing modish *bancassurance*. The trouble is if too many societies reached the same conclusion simultaneously, the returns would diminish and the strategy would have to be rethought.

FT-SE Index: 2941.3 (-3.7)



Source: FT Graphite

Currencies

Since European governments are so reluctant to cut interest rates, one is tempted to ask whether they are deliberately trying to keep their currencies as close to the old ERM bands as possible. There is no evidence of any private agreement to that effect on the sidelines of Sunday's meeting in Brussels. But Belgium, Denmark and France retain considerable interest in being identified with the core of stronger European currencies. Belgium has intervened to heave its franc back within the old bands. Neither of the other two would want to cut and run.

By moving to 15 per cent bands they have made made it easier to keep their currencies under control. Speculation may offer less one-off spectacular gains in what is effectively a free float, so less intervention is required. High interest rates are penalising currency speculators, a factor which clearly helped push the French franc up sharply over the past couple of days. The authorities may simply be reeling in confusion. Like Britain after it came out of the ERM, they have no policy target to replace the exchange rate. The Major government waited nearly a full week after September 16 before it cut base rates to 9 per cent.

If continental governments are determined to live in the old world, though, talk of US-style interest rates in Europe is certainly premature. The premise on which recent equity market optimism was been based would be revealed as false. But the authorities could simply be storing up trouble for the future. Their natural instinct to shore up their currencies with high interest rates risks preventing the right response when exchange markets again begin to worry about high unemployment and recession.

Midland Bank

Having misread the interest rate trend so badly – and so expensively – in the still recent past, Midland might have looked the least likely of the clearers to wade into the gilts market. But the expertise and capital of its new parent have allowed it to set an example in this respect. Not all the £3.62bn first-half increase in its securities holdings represents gilts, but its decision to exploit the yield curve has not only boosted trading income. It has also helped to limit the squeeze on domestic net interest margins.

Midland thus demonstrates that there are rewards for banks which do more than sit on their hands in difficult lending markets. Others, such as Barclays and National Westminster, may feel too constrained by capital or worried by risk to follow suit. And Mr Roger Bootle, the group's resident gilts guru, is an outspoken bull of that market. The real test, though, will come when interest rates stop falling. Profits in gilt-edged, as in foreign exchange, are difficult to sustain. Nor should the glittering performance of Midland's treasury obscure the continuing difficulties of UK branch banking. Loan demand is slow and, thanks apparently to Queens Moat and Isosceles, provisions remain uncomfortably high. There could yet be an unresolved dilemma between the need to contain costs and Midland's aspiration to increase market share.

GKN

Perhaps surprisingly, GKN's barely-covered dividend is regarded by many as watertight protection from the world recession. But then, glancing round at other uncovered – and rudderless – UK engineering companies, one takes the point. Life in the automotive components sector will continue to be tough, with European car output likely to be down by 15 per cent this year, and 1994 unlikely to be much better. Unlike others, at least GKN has managed to keep a grip on costs and maintain profits.

Admittedly, GKN has been helped out by better performances in the UK and North America, and the devaluation of sterling has flattered profits by around 11 per cent. Then again, underlying cash flow is strong and being invested in new plant. The company is also struggling manfully with adverse operational gearing which can be expected to boost profits once the market turns. In local currency terms, continental European turnover fell by 15 per cent, but profits are down by 55 per cent.

To some extent, that recovery prospect may sooth the nerves of those who fret about GKN's 60 per cent premium to the market. There may also be growth if GKN can continue to pick up market share, more US light trucks start to use front-wheel drive and the Kuwaiti order for Warrior vehicles finally materialises. The shares' 5.25 per cent yield is unlikely to be fattened by anything as bizarre as a dividend increase. Yet at least it offers a warm place to wait for recovery.

LDP set to cede power

Continued from Page 1

cabinet position. He was suggested for a range of posts, including international trade and industry minister.

Meanwhile, newly elected MPs from the Japan New party, headed by Mr Hosokawa, were lectured on life in the parliamentary precincts.

Back in LDP headquarters, Mr Yohei Kono, the party's new president, had a confident smile that seemed to suggest that its stint in opposition would be brief. He also attempted to clear away some unfinished business by making a belated apology for the Japanese military's forced prostitution of Asian women during the second world war.

The smiles among opposition party officials were of a different kind. For those who are not former members of the LDP, power has always been far beyond their reach, but by voting together today, they will sit for the first time in the government benches and look across at the LDP in opposition.

Clinton's fight on budget

Continued from Page 1

was being made retroactive to January 1, a Treasury official said yesterday back payments could be made in three tranches.

The concession, which has been written into the amended bill, would allow the additional amounts for the current fiscal year to be paid on April 15 next year and on the same date in the two succeeding years.

Mr Bob Dole, Republican leader in the Senate, had accused the administration of imposing the biggest tax increase in history. He also claimed Mr Clinton and the Democrats were so anxious to get their hands on the public's money "that they made the tax increases retroactive . . . to 20 days before President Clinton got to the White House".

The latest public opinion polls underline the difficulty faced by the Democrats. According to a USA Today/CNN/Gallup poll, some 68 per cent of respondents believed middle-income taxpayers would shoulder most of the additional burden.

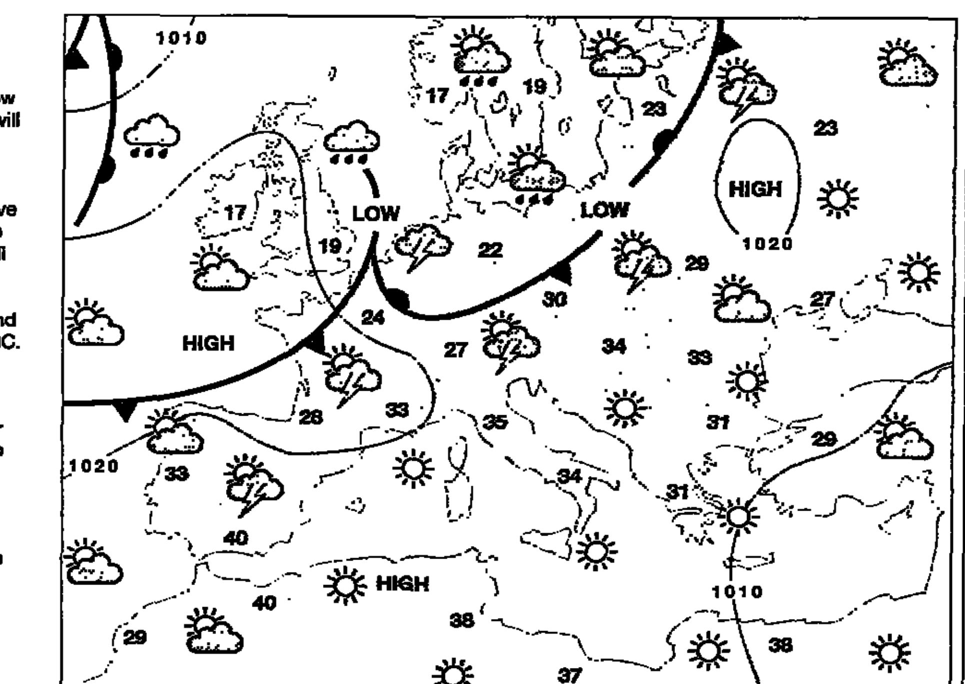
FT WORLD WEATHER

Europe today

A frontal system will bring unsettled conditions to most of northern Europe. Low pressure over the North Sea and Poland will give showery conditions and thunder showers in northern France, the Low Countries, the Alps, Poland and the Baltic States. South-eastern Scandinavia will have sunny spells, but showers will continue on the Norwegian coast. Southern Britain will have early rain, but sunny intervals will develop. Mediterranean countries, the Balkans and Turkey will continue sunny and warm, with temperatures reaching 25C-30C. Winds will stay near gale force in coastal areas of Greece and western Turkey. The interior of Spain and Portugal will have sweltering heat and a few isolated thunder storms. Afternoon temperatures will rise to near 40C.

Five-day forecast

Low pressure over the Atlantic will move eastwards bringing unsettled conditions to northern Europe. Rain and showers will alternate with drier and sunny conditions. Temperatures will be near normal for late summer. Mediterranean countries will continue warm and sunny. Winds in the Aegean Sea will slowly decrease.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Celsius
Abu Dhabi	sun	41
Accra	thund	28
Algiers	sun	38
Amsterdam	shower	18
Athens	sun	33
Bangkok	cloudy	33
Barcelona	sun	32
Beijing	thund	30
Belfast	fair	17
Belgrade	sun	34
Berlin	shower	25
Bermuda	sun	32
Birmingham	fair	18
Bogota	fair	19
Bombay	cloudy	28
Bordeaux	fair	27
Brussels	shower	20
Budapest	sun	34
Buenos Aires	cloudy	18
Cairo	sun	38
Cape Town	fair	13
Caracas	fair	31
Chicago	shower	25
Cologne	shower	22
Copenhagen	fair	21
D' Salaam	fair	29
Dakar	fair	30
Dallas	thund	36
Darwin	fair	31
Delhi	thund	35
Dubai	sun	40
Dublin	fair	17
Dubrovnik	sun	34
Edinburgh	rain	18
Faro	fair	34
Frankfurt	thund	28
Geneva	fair	30
Glasgow	cloudy	18
Hamburg	shower	21
Helsinki	cloudy	21
Hong Kong	thund	32
Honolulu	fair	32
Isle of Man	cloudy	17
Istanbul	sun	29
Jersey	fair	19
Karachi	fair	33
Kuwait	sun	45
La Paz	sun	17
Las Palmas	fair	26
Lisbon	fair	35
London	fair	20
Los Angeles	fair	25
Luxembourg	thund	23
Lyon	sun	33
Madeira	fair	26
Madrid	thund	40
Majorca	sun	37
Malta	sun	35
Manchester	fair	18
Manila	thund	29
Melbourne	fair	13
Mexico City	thund	23
Miami	thund	32
Milan	thund	35
Montreal	fair	22
Moscow	fair	23
Munich	thund	29
Nairobi	fair	24
Naples	sun	34
Nassau	fair	33
New York	shower	30
Nice	sun	28
Nicosia	sun	35
Oslo	shower	19
Paris	fair	24
Perth	fair	16
Prague	rain	28
R' de Janeiro	cloudy	22
Rangoon	cloudy	29
Reykjavik	rain	12
Riyadh	sun	42
Rome	sun	33
S' Francisco	fair	24
Seoul	fair	24
Singapore	thund	33
Stockholm	fair	19
Strasbourg	shower	28
Sydney	shower	16
Tel Aviv	sun	34
Tokyo	shower	20
Toronto	rain	20
Tunis	sun	37
Vancouver	fair	27
Venice	shower	31
Vienna	shower	32
Warsaw	fair	30
Washington	shower	32
Wellington	shower	9
Winnipeg	sun	18
Zurich	thund	27

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 5 1993

INSIDE

Berlusconi publisher may be floated

Silvio Berlusconi Editore, the Italian publisher owned by Mr Berlusconi's Fininvest group, could be floated within the next three months, raising up to L600bn ($376m) for the heavily-indebted parent company. Page 12

GKN holds profits steady

GKN, the UK automotive components, engineering and industrial services group, achieved virtually unchanged pre-tax profits of £60m ($89m) in the first half after heavy restructuring costs. Page 12; Lex, Page 10

Husky Oil on the way back

Mr Li Ka-shing, the Hong Kong billionaire, is beginning to recoup his huge write-offs and investments in his Canadian energy company Husky Oil. Page 14

Sprint links up with Call-Net

Sprint, the third-biggest long-distance carrier in the US, is linking with Call-Net Enterprises, and has acquired a 25 per cent equity stake in the Canadian telecom group. Page 14

Gencor unveils unbundling

Gencor, South Africa's second largest mining house, unveiled details of its proposed unbundling which will leave it larger than originally thought. Page 14

Rush for Russian debt

An unexpected rescheduling agreement reached by Russia and western creditor banks has triggered a sharp increase in price and trading volume on the secondary market for Russian debt. Page 15

Glynwed improves results

Glynwed International, the UK metals and plastics processing group, lifted half yearly pre-tax profits by nearly 20 per cent to £18.3m ($27.36m) ,the fourth consecutive half of improved results. Page 16

DIY sector comes apart

The British are the biggest Do It Yourself enthusiasts in Europe but as the recession has dragged on even they seem to have lost their appetite for putting up shelves and grouting their bathrooms. The downturn has led to a damaging price war which has put the future of Do It All in doubt. And there remains the threat that overseas competitors such as Home Depot of the US will enter the market. Page 16

Shell plans to lift its game

Mr John Jennings, the new chairman of Royal Dutch Shell, announces the UK-Dutch group's interim results today. They are expected to be good but Mr Jennings says: "We have to lift our game". Page 16

Green currencies stabilised

The rally in the value of the French franc has averted the widely-expected need for immediate realignment of Europe's green currencies. Page 20

Bombay stocks surge

A resurgence of investor enthusiasm in Bombay pushed the market ahead and contributed to a 1.9 per cent advance in dollar terms in the Asian regional index of emerging markets. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	745	+	55
Continental AG	237.5	+	8
GEHE	395.5	+	10.7
Lahmeyer	751	+	21
Schmalbach Lub	358	+	10
Falls			
Asara Ind	528	-	17

NEW YORK ($)

Rises			
Digital Equipment	37¾	+	1⅝
Kmart	21½	+	⅛
Sears Roebuck	52¼	-	1½
Falls			
Chiron	65½	-	3
Hewlett Packard	71¼	-	3
Quadrax Corp	5⅝	-	1⅛

New York prices at 12:30.

PARIS (FFr)

Rises			
Damart	4140	+	140
Gaumont (Sc N)	565	+	25
Navigation Mixte	1035	+	38
Roussel-Uclaf	584	+	25
Falls			
Elf Sanofi	972	-	18
Unibail	420	-	13

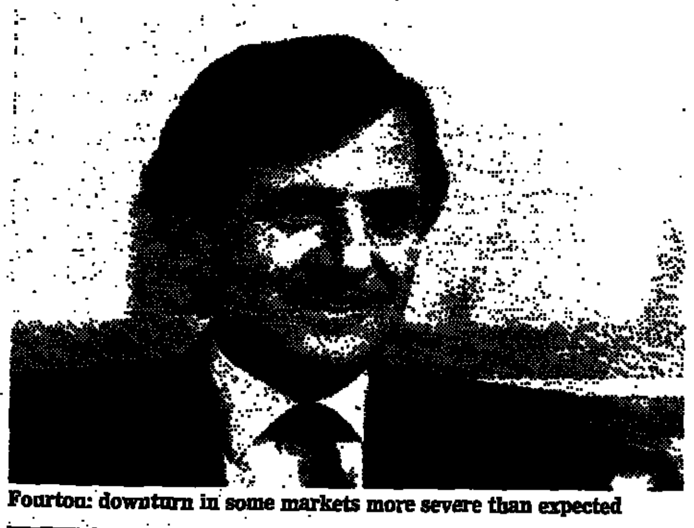
TOKYO (Yen)

Rises			
CSK	3270	+	150
Ihara Chemical	874	+	99
Mamiya	530	+	80
Nisshinbo Ind	989	+	35
Falls			
Koyo Seiko Co	775	-	16
Nippon Soda	577	-	19

LONDON (Pence)

Rises			
AAF Inds	107	+	29
Britannic Assc	440	+	13
Brockhampton	373	+	20
Cornwell Pkr A	143	+	9
Dalepak Foods	179	+	14
Dart	107	+	10
Geest	380	+	16
Hartstone	60	+	5
Henlys	188	+	7
Home Counties	132	+	12
McKay Sec	130	+	5
Merrydown	283	+	10
Northamber	62	+	9
Prowting	124	+	10
Reece	6½	+	1½
Spring Ram	72	+	4½
Victaulic	285	+	17
Wimpey (G)	189	+	12
Yorks Chems	355	+	16
Falls			
Dale Electric	98	-	6
French Connctn	126	-	12
Haemocell	121	-	23
Kleeneze	207	-	19
Trafford Park	77	-	5

Rhône-Poulenc warns of 10% profit fall



Fourtou: downturn in some markets more severe than expected

By John Ridding in Paris

MR JEAN-RENE Fourtou, chairman of Rhône-Poulenc, the French chemicals group and one of the companies which will spearhead the government's privatisation programme, yesterday warned of a fall in profits for the first half of 1993 and for the year as a whole.

Mr Fourtou told Les Echos, the financial newspaper, that the group's first-half net profits were expected to be about 10 per cent down on the FFr1.55bn ($260m) reported for the same period last year. This was later confirmed by the company.

The share price fell from FFr159 to FFr154.

The forecast means that the three main companies named on the shortlist of four to launch the French government's privatisation programme have issued profits warnings. Elf-Aquitaine, the oil group, and Banque Nationale de Paris have also said that profits are expected to be lower for the first half of the year.

Mr Fourtou said it was difficult to establish estimates for the full year because of currency movements, possible cuts in interest rates and continued uncertainty in several of the group's markets. "But taking these elements into account we think today that our results for the full year could be less than those for 1992.

"The outlook for 1993 does not put into question the capacity for our results in the medium term," he added.

According to Mr Fourtou, the expected fall in first-half profits reflected the impact of the worsening recession in Europe.

The group's organic chemicals and fibres businesses had suffered from a decline in volumes and prices and the downturn in these markets had been more severe than expected, he said.

Results in the speciality chemicals division, which produces food additives, silicon, and chemicals for the paper and paint industry, were also below target levels, in spite of improved sales in the US. The agricultural chemicals and fertilisers business was hit harder than forecast because reform of the EC's common agricultural policy had cut demand.

For the remainder of the year, the group expected continued weakness in the markets for chemicals and fibres. In addition, the rate of growth or results in the health division is expected to be slower than in the first six months of the year.

On a positive note, Mr Fourtou said that interest payments should continue to fall, helped by improved cashflow and receipts from the sale of non-strategic assets. Last month, the group raised an estimated FFr4.5bn from the sale of its 35 per cent stake in Roussel-Uclaf, the chemicals group.

Mr Fourtou said the health and agricultural businesses would benefit from the launch of new products.

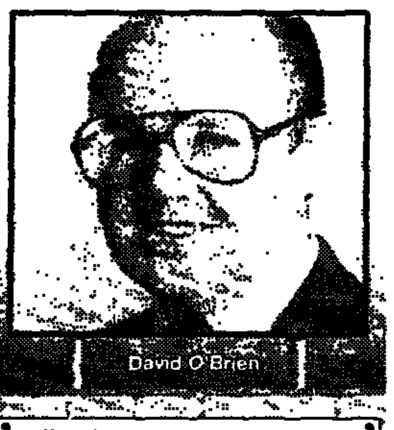
Merger of Leeds and N&P continues consolidation in financial services

Malcolm Barr

Leeds: All financial information as at last balance sheet date audited 30/9/92

	Leeds	N&P
Branches	453	315
Employees	5,591	4,231
Customers	4.5m	2.76m
Total assets	18.3bn	12bn
League position	5*	8* (3 combined)
Pre-tax profits	£152.7m	£80.2m
Cost/income ratio	42.8%	40.9%
Chief executive	vacant	David O'Brien
Chairman	Malcolm Barr	Richard Newton
Head office	Leeds	Bradford
Credit card	Leeds Visa	N&P Visa
Estate agency	89	14
Tied to	Norwich Union	N&P Life Assurance Ltd
Current account	No	No
Cash machines	105	67
Agencies	149	170

* By total assets



David O'Brien

N&P: All financial information as at last balance sheet date audited 31/12/92

Building societies to join forces

By Scheherazade Daneshkhu and John Gapper in London

LEEDS Permanent and National & Provincial building societies said yesterday that they intended to merge to create the UK's third largest society.

If approved by the societies' 3.25m members, it would be the biggest ever society merger and the most significant since that of the Nationwide and Anglia societies in 1987.

However, the plan is likely to face opposition from some of the societies' voting members after executives disclosed that it could cost 1,600 jobs. They also said it might not be accompanied by a bonus to savers paid out of reserves.

The new society would be called Leeds Permanent, and would be headed by Mr Malcolm Barr, Leeds' chairman, and Mr David O'Brien, National & Provincial's chief executive.

Renewed discussions between the societies, which considered merging three years ago, were sparked by the departure in February of Mr Mike Blackburn, Leeds' former chief executive, to head Halifax, the country's largest society.

The proposed merger, expected to take place next spring, is also subject to approval by the Building Societies Commission.

Moody's Investor Services, the debt rating agency, placed both societies under credit review yesterday. Leeds' long-term debt on wholesale markets is rated higher than N&P's at Aa3 against A1.

The Leeds is the UK's fifth largest building society, with total assets of £18.3bn ($27.3bn) while N&P, the eight largest, has assets of £12bn.

Mr Richard Newton, current chairman of N&P, who is to retire, said that in a market which has become "overcrowded" and "increasingly competitive", the decision would bring benefits to the customers of both societies.

Lex, Page 10

A marriage of equals in an overcrowded market

The division of spoils between the National & Provincial and Leeds Permanent building societies in their proposed merger announced yesterday is unusual. Leeds is to retain its name, its head office, and its chairman. National & Provincial will contribute its chief executive, and a cartoon bee.

The bee, which is the society's trademark, and the chief executive, Mr David O'Brien, are already the most recognisable aspects of N&P. Both are likely to become better known as a result of the merger which is intended to create the third largest society.

The motive for mergers in the past five years has been the rescue of small troubled societies by bigger, better capitalised ones. This merger is different. It not only creates a rival to Nationwide in asset size, it has also been negotiated from positions of mutual strength. In deciding to merge, both societies have given a signal that industry consolidation is entering a critical stage.

"This is a true merger, not a rescue," said Mr Roger Boyes, Leeds' acting chief executive.

Yet that difference makes the task harder. In trying to create a larger force in the overcrowded retail financial services market, the participants already know the pitfalls. Unless they cut costs and achieve a real merger, they are in danger of simply growing more unwieldy and bloated.

The example not to follow is Nationwide Building Society, which failed to merge the Nationwide and Anglia societies properly in 1987. Nationwide is only now starting to show signs of tackling the high cost to income ratio and poor returns on capital and assets it inherited.

Yet those involved argued yesterday that they had little choice but to take the risk. Mr Boyes said consolidation was dividing societies into large distributors of products that include not only mortgages but life insurance and equity products; and small local societies.

If the merger proceeds, it will mean that the new top three societies will hold 48 per cent of the industry's assets, and the top five – including Alliance & Leicester and Woolwich – 64 per cent. Concentration is such that the top 20 already hold 99 per cent.

The process of consolidation has implications for other financial services companies, including banks. First, life insurance companies and retail banks are also trying to establish dominance in product distribution.

Second, the emergence of larger societies increases the likelihood that another will follow Abbey National, the second largest mortgage lender, into public limited company status. The new Leeds may consider the idea.

But all this turns on Leeds achieving real gains from the merger. The participants cited three benefits yesterday: economies of scale and cost savings; more effective distribution of products; better management.

Cost savings are the most obvious. The new society intends to reduce the combined branch network to 650 from 769, eliminating 1,600 of the combined 9,800 staff.

But both have a mixed history of trimming costs. Their cost to income ratios of 42.8 per cent for Leeds and 40.1 per cent for N&P are better than Nationwide and Woolwich. However, they do not match the strict discipline of Cheltenham & Gloucester's 22.1 per cent.

The likelihood of distributing products better is less certain. N&P is already tied to its own life insurance subsidiary, but Leeds was about to set up its own. No clear plan has been settled for combining the operations.

The question the respective chairmen and chief executives had most difficulty answering yesterday was how their sales would be helped just by being bigger. Size has helped Halifax, the largest society, to lead the market, but will a society half its size be big enough?

Finally, there is management improvement. Mr O'Brien has achieved a reputation at N&P for using analytical methods such as "process re-engineering" and he said he would apply some of these to Leeds.

Two audiences will have to be convinced that the merger is worthwhile: the US ratings agencies, which rate debt and so fix the cost of wholesale borrowing; and the societies' members.

Mr O'Brien and Mr Boyes are walking a narrow line between the two in deciding how much – if at all – to reward members for approving the merger. By giving them bonuses, they would cut the capital ratios to which agencies such as Moody's and Standard and Poor's attach great importance.

The threat of protests from staff and members, and yesterday's announcement that the societies' debt ratings face review by Moody's, show that it is a tricky balance.

John Gapper

News Corp plans share issue to help pay for Star TV

By Raymond Snoddy in London

MR RUPERT Murdoch's News Corporation plans to raise about A$500m ($338m) through an issue of convertible preference shares to help pay for the acquisition of a 63.6 per cent stake in Star TV, the Hong Kong-based satellite TV company.

News Corp is issuing 25m convertible shares at A$20 a share. The placement, which is underwritten, will also provide working capital for the media group.

The shares will pay an annual dividend of 6.25 per cent until mandatory conversion on April 30, 1998. The conversion price is the lower of a 7.5 per cent discount to the market at time of conversion or A$20.

The new class of shares will require a change in the company's articles of association. An extraordinary meeting has been called for September 3.

News of the financing came as Mr Julian Mounter, chief executive of Star, which broadcasts to 38 Asian countries, confirmed that he would not be staying on to work for the Murdoch-controlled company.

As soon as word spread that Mr Mounter, who previously ran the New Zealand Broadcasting Corporation, planned to resign, Mr Sam Chisholm, chief executive of British Sky Broadcasting, the UK satellite consortium in which Mr Murdoch has a 50 per cent stake, flew to Hong Kong to try to persuade him to change his mind.

In spite of talks that lasted to midnight on Tuesday, Mr Mounter refused to stay, even as a consultant.

It is believed that the main reason for his decision was that Mr Chisholm was already issuing instructions to Star staff from London. Mr Mounter had thought he would be reporting directly to Mr Murdoch.

The Star chief executive is understood to have already received three offers, including one in Hong Kong.

It is not yet clear who will run Star or what the role of Mr Chisholm will be. He is thought likely to remain in London in charge of BSkyB, a consortium in which Pearson, owner of the Financial Times, has a stake. Pearson failed in its attempt to get an acceptable deal to take control of Star.

News Corporation also issued a statement yesterday replying to criticisms by Dr Mahathir Mohamad, the Malaysian prime minister, of the growing influence of western media in the region.

News Corp said that it was very conscious of the Asian way of life and its unique cultural, historical and religious heritage.

"We intend to make Star TV a service which Asian families can enjoy in their homes and a service which governments in the region will find both friendly and useful," the company said.

The BBC provides one of Star's channels under a 10-year contract, but it is not yet clear what role BBC World Service Television will have with the Hong Kong broadcaster under its new owners.

Index-linked market set to grow

By Tracy Corrigan

THE STRENGTH of the UK's index-linked gilts market has prompted other countries to consider issuing government bonds linked to their inflation rate.

Officials from the Swedish National Debt Office have visited London to study the workings of the index-linked market. Mr Jonas Lind, head of domestic borrowing, said their main concern was whether there would be a sufficiently large base of investors.

Sweden's government bond market has grown by more than SKr130bn in the last year to SKr420bn. The borrowing requirement for 1993 is around SKr200bn ($24.9bn).

Meanwhile, the New Zealand Treasury "has undertaken a project to examine the UK, Australian and Canadian experiences", said Mr Phillip Anderson, principal of New Zealand's debt management office in London.

Canada and Australia, the only other countries with similar markets, began issuing index-linked debt in 1991 and 1985 respectively, and have recently increased their activity.

Index-linked gilts account for 10 per cent of the ($256bn) British gilts market, according to the Bank of England, but the sector is considered relatively illiquid.

The world-wide economic slowdown has squeezed revenues while inflating public expenditure, pushing up government borrowing. Index-linked bonds are an attractive way of funding this as they are tied to inflation, now at historically low levels in many countries.

Index-linked bonds, particularly in Europe, may also prove attractive to investors. Gilts traders report growing interest in the sector, including the first signs of interest from overseas investors.

"Index-linked gilts represent a major opportunity to capitalise on a forthcoming fall in real yields," said Mr Kieron Lynch, head of gilt sales at SG Warburg.

Berlusconi's publishing business may be floated

By Haig Simonian in Milan

SILVIO Berlusconi Editore, the Italian publisher owned by Mr Silvio Berlusconi's Fininvest group, could be floated within the next three months, raising up to L600bn ($376m) for the heavily-indebted parent company.

Fininvest recently announced its group indebtedness rose to L3,333bn at the end of last year, from L2,938bn in 1991. Bankers have expressed growing concerns about its debts, built up during the heady expansion of the late 1980s, and about the downturn in advertising revenues at its core broadcasting business.

Fininvest said net group profits for 1992 plunged to L21.1bn from L61.3bn in 1991. The decline was ascribed to higher interest costs and the effects of the recession. Group sales rose slightly to L10,469bn from L10,096bn. Adjusted for disposals, turnover climbed by 6.8 per cent.

SBE will this month launch a reverse takeover of Mondadori, Italy's biggest publishing group, which is controlled by Fininvest. Although Mondadori is listed on the stock market, Fininvest owns about 90 per cent of its ordinary shares and 80 per cent of the non-voting savings stock. Placing a greater proportion of the shares in the combined SBE-Mondadori group should give Fininvest a substantial cash injection to bring down borrowings.

Fininvest said prospects for the current year were good, with retailing performing particularly strongly. Sales at Standa, the Fininvest-controlled supermarkets and stores chain, jumped by more than 20 per cent in the first half, due partly to acquisitions. Revenues at Fininvest's insurance and financial services operations had risen by over 30 per cent.

Analysts believe Fininvest may also be considering floating its television broadcasting interests, currently grouped in the RTI subsidiary. Although Mr Berlusconi has traditionally been reluctant to bring in outside shareholders, growing financial and political pressures may increasingly oblige him to change tack.

Last week, he admitted that listing RTI was being considered, but said no timetable had been established.

Second-quarter slide at Akzo

By Ronald van de Krol in Amsterdam

AKZO, the Dutch chemicals group, reported a 30 per cent decline in second-quarter profit as better results in the US failed to compensate for the continued downturn in Europe.

It warned it would be difficult in the second half to match the year-ago results.

In the second quarter, net profit fell to Fl 152m ($78m) from Fl 218.3m, on turnover down 4 per cent at Fl 4.13bn. The decline was due partly to extraordinary charges of Fl 28m earmarked for restructuring programmes, mainly in the fibre sector. If extraordinary items are excluded, net profit declined 17 per cent.

Pharmaceuticals was the only division to report a small increase in operating profit. Chemicals, coating and fibres all posted profit declines.

Mr Syb Bergsma, board member, said Akzo would be put at a short-term disadvantage by the effective abandonment of the European exchange rate mechanism. First-half turnover was depressed by Fl 100m because of last autumn's falls in the pound, the lira and the peseta.

He also said Akzo was expected to benefit early from the upturn in the European economic cycle, now widely predicted to take place in 1994.

Akzo's comments on the second half imply that the company's full-year results before extraordinary items might total less than Fl 640m compared with Fl 712m last year.

Capital investment rose by 32 per cent to Fl 490m in the first half, and Mr Bergsma said there were no plans to make changes to Akzo's heavy investment programme.

Akzo's second-quarter decline compares with a 96 per cent fall reported last week by DSM, the other major Netherlands chemicals group.

Midland shows sharp advance

By John Gapper, Banking Editor

MIDLAND Bank, the UK subsidiary of HSBC Holdings, yesterday disclosed a sharp improvement in profits, helped by buoyant trading income in treasury and capital markets operations.

Midland saw pre-tax profits of £385m ($573.65m) in the first six months, against £60m in the same period last year. This was despite a 12 per cent rise in bad debt provisions in the bank's continuing operations to £321m, against £287m.

Lex, Page 10

GKN holds profits steady despite restructure costs

By Kevin Done, Motor Industry Correspondent

GKN, the UK automotive components, engineering and industrial services group, achieved virtually unchanged pre-tax profits of £60m ($89.4m) in the first half of the year compared with £60.9m in the same period a year ago.

It suffered heavy costs of £10.5m for redundancies and restructuring compared with £4.4m in the first half of 1992, as the workforce worldwide was cut by around 1,000 to 27,500 at the end of June.

Mr Trevor Bonner, managing director for GKN automotive operations, said around 500 more jobs would be lost in the second half of the year.

Sir David Lees, chairman and chief executive, warned that the group faced "another tough trading period" in the second half of the year.

But negotiations were "well advanced" between the British and Kuwaiti governments for the sale of "a significant number" of GKN armoured combat vehicles to Kuwait.

Lex, Page 10

Collapse of peseta helps lift Repsol 6%

By Peter Bruce in Madrid

REPSOL, Spain's large state-controlled oil and chemicals group, yesterday reported a 20 per cent rise in operating profits, to Pta73.6bn ($515m), for the first half of 1993, helped by the collapse of the peseta against the US dollar.

The group said its net profits for the first half had risen 6.3 per cent against the same period last year, to Pta43.1bn. Cash-flow rose 13.8 per cent, to Pta92.2bn, with most of the increase coming in the second quarter when the peseta suffered its third devaluation in less than nine months.

Repsol said it would have done even better – despite Spain's worst recession in more than 20 years – had it not been for a drought which forced the closure of its Puertollanos chemicals complex for most of the six months, labour strife at its Bilbao refinery, and the short-term effects of the peseta devaluation, which forced up retail petrol prices.

The cost of these setbacks was around Pta7bn. The group said the weaker peseta had helped widen those commercial margins in its refining, exploration and chemicals businesses, which are expressed in pesetas.

Operating profits in the exploration and production division rose sharply, from Pta10.2bn to Pta13.9bn, largely because of the dollar's strength. Losses at the chemicals group deepened slightly to Pta4.6bn.

Repsol said, however, it had noted an improvement in the chemicals business in the second three months, even though the Puertollanos complex had only come back on stream in June.

Commerzbank buys CCB stake

COMMERZBANK has acquired a 35 per cent stake in Commerz-Credit-Bank Europartner from Crédit Lyonnais, giving it full control of CCB, Reuter reports from Frankfurt.

CCB is a joint venture founded by Commerzbank and the French bank in 1974. Saarbruecken-based CCB was the result of a merger between the two banks.

Inheriting an unwieldy empire

Haig Simonian assesses the legacy of the Gardini conglomerate

AT just 24, Ivan Gardini, the son of Mr Raul Gardini, the Italian entrepreneur who commited suicide last month, suddenly finds himself at the helm of a ill-fitting industrial empire with sales of about L3,000bn ($1.9bn) and debts estimated at almost half that figure.

It is not Ivan's first experience guiding a big company. In November 1990, his father arranged that his son replaced him as chairman of Ferruzzi Finanziaria (Ferfin), the quoted holding company controlled by the Ferruzzi family into which Mr Gardini married.

The period spent at Ferfin by Ivan, just 21 at the time and better-known for his passion for basketball than business, was brief. Within weeks of the Gardinis' June 1991 "divorce" from the Ferruzzis, he was deposed from Ferfin in favour of his uncle Arturo, and the Gardinis and Ferruzzis went their separate ways.

Armed with the L505bn paid by the Ferruzzis to his wife Idina for her 23 per cent stake in the Serafino Ferruzzi holding company, Mr Raul Gardini began building a new industrial empire. After his unexpected death, and this week's court action by Ferruzzi's new bosses to sequester up to L500bn in assets, it may be up for grabs.

The new Gardini concern was being built on agricultural products, commodities trading and branded food and drinks – much the same pillars as those on which Ferruzzi expanded after Mr Gardini took management control following the death of its founder, Serafino Ferruzzi, in 1979.

Like Ferruzzi, its growth has been surprisingly fast. Leveraging the pay-off for his wife's Serafino Ferruzzi shares, and using privileged contacts in foods and commodities, the indefatigable Mr Gardini was able to assemble his new interests breathtakingly fast.

The dependence on borrowing and existence of established business links may explain why much of his group was based on partnerships. None more so than with Mr Jean Marc Vernes, the French industrialist who created the Béghin-Say sugar group, now controlled by Ferfin, and a sizeable business empire in France.

The link with Mr Vernes is one of the Gardini group's main assets. Mr Raul Gardini's "come-back" began with the purchase in September 1991 of a stake, now up to 36 per cent, in Société Centrale d'Investissement, the cash-rich French concern controlled by Mr Vernes.

SCI is in turn the 60 per cent shareholder in Gardini et Associés (GEA), the investment group which Mr Gardini used to spearhead his first acquisitions. Again, he chose his partners carefully. Archer Daniel Midland, the US agri-business group, Tate & Lyle of the UK and CIP, a Luxemboug-based holding company which controls large starch interests in Europe, took 5 per cent each, while Mr Raul Gardini retained 5 per cent directly.

The takeover trail began in December 1991, with a 16.6 per cent stake in Sucres et Denrées (Sucden), the debt-laden French commodity trader. Mr Raul Gardini also bought controlling stakes in three industrial units from Sucden: Barry, its cocoa bean processing arm and the world market leader; and Vital and Sogéviandes, France's largest meant trading and processing companies.

Emboldened by his successes, Mr Gardini soon reversed his vow not to do business in Italy. To lead his Italian acquisition drive, he formed Garma, another partnership, this time with Mr Giulio Malgara, the former European chief of Quaker Oats.

Garma, 84 per cent-owned by the Gardini group, started life with L200bn in capital. Although its first potential deal, to buy the Quaker Oats edible oils business, was unsuccessful, Garma soon struck again.

In July 1992, it paid about $300m for the parent company of the popular Levissima mineral water brand. Shortly after came the purchase of four smaller brands. Together, the purchases gave Garma about 20 per cent of the Italian mineral water market – Europe's biggest. In February, Garma expanded in foods with 35 per cent of a new joint venture, creating Italy's third-biggest frozen foods group.

Mr Raul Gardini also showed he had not lost his flair for spectacular stock market raids. In October 1992, the Milan bourse was convulsed with rumours that he was set to launch a takeover, eventually aborted, for the SME foods group, having secretly built up a significant minority stake.

The intention, according to analysts, was to force the then-Amato government to sell the state's controlling interest to the raiders, who would have broken up the company and kept only those parts that fitted in with their new empire.

Such financial acrobatics will be far from the thoughts of Ivan Gardini, appointed chairman last week, and Mr Roberto Michetti, a former Ferruzzi executive who is managing director.

Mr Raul Gardini may have hoped to give his empire greater coherence through further takeovers, which could eventually have created one of Europe's biggest foods and commodities concerns. It is up to his son and Mr Michetti to ensure that the ill-fitting edifice constructed by its founder does not come tumbling down on his heirs.

Slight upturn at Austrian building materials group

By Ian Rodger in Vienna

SALES and profits at Wienerberger Baustoffindustrie, the Austrian building materials group, recovered modestly in in the first half. Losses in its ferro-alloys and abrasives subsidiary continued to undermine a strong performance in the core brick and roofing tile business.

Group pre-tax profits rose 6 per cent to Sch363.4m ($30m) on revenues up 6.2 per cent to Sch5.9bn. Profits of the brick and tile division, however, soared 93 per cent to Sch273m, on sales up 15.2 per cent to Sch1.6bn.

Mr Erhard Schaschl, chairman, said new housebuilding activity in Austria and Germany continued in spite of the general slump. Also, management had concentrated successfully on improving profitability.

Restoring profitability to the Treibacher ferro-alloys business, which suffered a loss of Sch166m last year, would take longer. World market prices were being undermined by eastern European exports, and demand from the aerospace industry was weak.

As a result of Treibacher's losses, Wienerberger last year suffered its first profit decline in over a decade, with the pre-tax figure slumping 30 per cent to Sch626m.

Mr Schaschl said Treibacher was cutting costs and would break even next year.

Sales at the pipe systems division were flat at Sch1.2bn. Profits were down 23 per cent to Sch34.5m.

COMPANY NEWS DIGEST

CIMENTS Français, the French cement group, said first-half 1993 revenues fell 13 per cent, to FFr6.59bn ($1.1bn) compared with the first half of 1992, Reuter reports from Paris.

It said the decline was due in part to falls in certain currency rates against the franc, and the overall economic slowdown in France. Foreign exchange fluctuations accounted for a FFr119m drop in revenues.

On a comparable and constant exchange-rate basis, revenues would have fallen 7.4 per cent. The company expects the decline in revenues for the second half to be less than the first.

The biggest declines in revenue were in France and Belgium, at FFr3.97bn, down 10 per cent.

■ Swissair said that, despite an increase in load capacity in June, the company's earnings outlook remained "unsatisfactory", Reuter reports from Zurich.

It said "there is no improvement yet in sight" and that a continuation of "rigorous cost-control measures is therefore inevitable".

The company in May said it was "guardedly optimistic" that a positive 1993 result was possible. Swissair is expected to release first-half earnings figures on Friday.

The company said its load capacity improved in June, to 63.8 per cent from 62.2 per cent in the same month a year ago. Demand rose 7 per cent over the same month a year ago, while capacity increased 5 per cent.

Traffic rose 5 per cent in Europe, and 6 per cent on intercontinental flights. Traffic on flights to Latin America, the Middle East and southern Europe, meanwhile, remained flat or declined.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.08.93: Pool purchase price £/MWh	Final Prices for Trading on 08.07.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.66	18.00	19.00
0100	18.87	18.11	18.11
0130	38.67	18.11	18.11
0200	28.00	18.11	18.11
0230	28.00	18.11	18.71
0300	28.00	18.11	18.11
0330	28.00	18.11	18.11
0400	28.00	18.11	18.11
0430	28.00	18.11	18.11
0500	28.00	18.11	18.11
0530	32.00	18.07	18.07
0600	33.00	18.06	18.06
0630	33.00	18.06	18.06
0700	32.00	22.05	25.35
0730	48.70	25.30	28.58
0800	48.70	25.32	28.46
0830	24.25	28.06	31.25
0900	25.61	28.35	31.58
0930	26.93	28.56	31.82
1000	27.77	28.67	31.98
1030	27.77	28.70	32.00
1100	27.77	30.98	34.41
1130	27.77	32.94	36.54
1200	27.77	35.79	39.56
1230	27.77	35.67	39.40
1300	27.89	35.19	38.78
1330	27.89	28.56	31.77
1400	27.89	28.33	31.49
1430	28.09	28.23	31.38
1500	27.89	26.62	29.70
1530	27.89	26.65	29.75
1600	27.89	30.64	33.90
1630	32.00	32.32	35.71
1700	33.00	34.82	38.26
1730	33.00	34.64	38.03
1800	33.00	31.90	35.17
1830	24.83	25.40	28.42
1900	24.25	25.30	28.31
1930	23.79	25.29	28.32
2000	22.22	25.29	28.33
2030	22.22	25.28	28.40
2100	22.22	23.89	26.87
2130	38.00	31.30	34.53
2200	38.00	36.00	39.16
2230	38.00	44.00	47.38
2300	23.00	44.00	47.74
2330	21.47	23.81	26.82
2400	21.47	22.05	25.20

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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Autobahnen- und Schnellstrassen-Finanzierungs- Aktiengesellschaft

U.S. $200,000,000

Guaranteed Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 4th November, 1993 has been fixed at 3.2125% per annum. The interest accruing for such three month period will be U.S. $82.10 per U.S. $10,000 Bearer Note, and U.S. $820.97 per U.S. $100,000 Bearer Note, on 4th November, 1993 against presentation of Coupon No. 4.

Union Bank of Switzerland
London Branch Agent Bank

2nd August, 1993

NOTICE OF EARLY REDEMPTION ON 8th SEPTEMBER, 1993

BARCLAYS

BARCLAYS OVERSEAS INVESTMENT COMPANY B.V.

U.S. $350,000,000 Guaranteed Floating Rate Notes due 2004

Guaranteed on a subordinated basis as to payment of principal and interest by

BARCLAYS BANK PLC

NOTICE IS HEREBY GIVEN that Barclays Overseas Investment Company B.V. (the "Company") will on 8th September, 1993 redeem all of the outstanding U.S. $350,000,000 Guaranteed Floating Rate Notes due 2004 of the Company (the "Notes") pursuant to Condition 8(c) of the Terms and Conditions of the Notes. The Notes will be redeemed at their principal amount together with interest thereon accrued to the said date of redemption. The amount of accrued interest payable, calculated in accordance with the said Terms and Conditions, will be U.S. $127.78 in respect of each Note of U.S. $5,000.

Payments of principal in respect of Notes in bearer form ("Bearer Notes") will be made against surrender of Bearer Notes (a) at the specified office of the Paying Agent in New York City in U.S. dollars or (b) at the option of the holder, at any specified office of any Paying Agent, by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City; and payments of accrued interest on Bearer Notes will be made against surrender of matured Coupons ("Coupons") at any specified office outside the United States of any Paying Agent, in the manner provided in (b) above, subject in all cases to any fiscal or other laws and regulations applicable thereto at the place of payment (but without prejudice to the provisions of Condition 10 of the said Terms and Conditions). Upon the said date of redemption, unmatured Coupons appertaining to Bearer Notes (whether or not attached) shall become void and no payment shall be made in respect thereof. It should be noted that holders surrendering Bearer Notes at the specified office of the Paying Agent in New York City may be subject to applicable U.S. information reporting and back-up withholding regulations.

Payments of principal in respect of Notes in registered form ("Registered Notes") will be made by U.S. dollar cheque drawn on a bank in New York City against surrender of such Registered Notes at the specified office of Morgan Guaranty Trust Company of New York (the "Registrar"). Payments of accrued interest on each Registered Note will be made to the person shown on the register maintained by the Registrar (the "Register") as entitled to such Note at the close of business on 24th August, 1993 (the "Record Date") by U.S. dollar cheque drawn on a bank in New York City and mailed to the holder (or to the first named of joint holders) of such Note at his address appearing in the Register on the Record Date. Upon application by such holder to the specified office of the Registrar not less than three working days prior to the said date of redemption, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Payments in respect of Registered Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto at the place of payment (but without prejudice to the provisions of Condition 10 of the said Terms and Conditions).

Save as provided in the said Terms and Conditions, interest on the Notes will cease to accrue as from the said date of redemption.

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BGSS Depository Services
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London EC3P 3HP
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Banque Internationale à Luxembourg S.A.
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Switzerland

REGISTRAR

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15 Broad Street
New York, N.Y. 10015
U.S.A.

Dated 5th August, 1993

Barclays Overseas Investment Company B.V.

Sprint in link with Canadian telecoms group

By Nikki Tait in New York

SPRINT, the third-largest long-distance carrier in the US, is linking with Toronto-based Call-Net Enterprises, and acquiring a 25 per cent equity stake in the Canadian telecommunications group. Sprint suggested yesterday the deal's value stood at more than C$160m (US$125m).

The alliance is aimed at giving Sprint increased access to the long-distance telephone market in Canada, while Call-Net will have access to Sprint's technical capabilities.

Under the 10-year deal, Call-Net will issue about 3.1m non-voting shares to Sprint, giving the US company a 25 per cent equity interest.

Call-Net will then pay royalties equal to the lesser of 2 per cent of future incremental Call-Net revenue or pre-tax earnings. These royalty payments cannot exceed C$10m for the first three years, or C$15m a year after that.

The value of the equity stake is put at around C$60m, while the royalty portion of the agreement is reckoned to be worth over C$100m over the 10-year period.

Sprint will also obtain three board seats – on an expanded nine-man board – as part of the transaction.

Call-Net, which started operations in 1986 and expects revenues of around C$200m in 1993, also announced plans yesterday to raise a further C$100m via the issue of new shares. Sprint will take up its proportionate share of the issue.

The Canadian company plans to use the money for computer and switching equipment, for the installation of further fibre-optic transmission facilities, the deployment of Sprint-based technology and for working capital.

Call-Net is the second-largest long-distance carrier in the markets which it serves – Ontario, Quebec and British Columbia – and the fourth-largest in Canada overall.

It serves around 17,000 customers in 15 metropolitan centres. Earlier this year, it acquired the Canadian long-distance telephone business of Cable & Wireless for which encompassed about 7,000 customers, mostly small and mid-sized businesses.

Li Ka-shing starts to crack the whip at Husky Oil

Management changes have brought a mood of optimism at the Calgary group, writes **Bernard Simon**

SIX years and several hundred million dollars of losses after his first foray into the North American energy industry, Mr Li Ka-shing, the Hong Kong billionaire, has quietly begun cracking the whip at Calgary's Husky Oil.

His determination to improve Husky's performance was signalled clearly last month with the typically low-key replacement of Husky's Canadian chief executive by an expatriate parachuted into the senior management ranks 18 months earlier from Hong Kong.

The new chief executive, Mr John Lau, has worked for the Li group for 10 years and is described by a former colleague as a "fixer".

Mr Lau says "there won't be substantial differences" under his stewardship. But the mere fact the former chief executive, Mr Arthur Price, has been moved at the age of 41 to become a "special adviser" to another Li company suggests a new era is dawning at Husky.

Mr Lau has already made an impression as a decisive executive, spearheading the latest of several cost-cutting exercises. His authority is reinforced by the presence of Mrs P.C. Koh, who was also brought in from Hong Kong last year as vice-president in charge of, among other things, strategic planning.

"Certainly, there are going to be changes," says one person with an intimate knowledge of the company. He predicts a "battening-down of the hatches" and a sweeping reorganisation which may include the disposal of Husky's offshore interests in Libya, Indonesia and Vietnam.

The volatile North American oil and gas industry has been a big headache for Mr Li. Over the past two years, Hutchison Whampoa, the Hong Kong conglomerate controlled by Mr Li, has taken write-offs totalling HK$2.2bn (US$283.9m) on its 49 per cent stake in Husky.

But Mr Li has so far shown no sign of backing away from his investment. On the contrary, various family-controlled companies have raised their original 52 per cent stake, bought in 1987, to 95 per cent in 1991. This includes Hutchison Whampoa's stake. The remaining 5 per cent is owned by Canadian Imperial Bank of Commerce. Li companies have subsequently poured several hundred million dollars of new equity into Husky.

Mr Price, who still works out of Husky's head office, insists there is no intention for the time being of joining the stampede among Canadian energy companies to tap the equity markets for funds.

Mr Ian Doig, publisher of an oil industry newsletter in Calgary, says Mr Li "got taken to the cleaners" with his initial C$484m (US$378m) investment in Husky.

But based on the price Husky received for various oil and gas properties which it sold recently, Mr Doig

Li Ka-shing: signs that his Husky investment may at last be paying off

says that Mr Li "is starting to recover some of his initial losses."

Such upbeat comments reflect a widespread impression that, while Husky's problems are by no means over, its fortunes are more likely to improve than deteriorate over the next few years.

Husky declines to reveal any sales or earnings figures, but a look at its businesses suggests its shareholders will be getting both good and bad news this year. Husky has benefited from a surge in North American natural gas prices. But these gains are at least partly offset by the depressed sulphur market, caused by worldwide over-supply. Husky is one of Canada's biggest sulphur producers.

The news is also mixed from the newly-commissioned Lloydminster heavy oil upgrader on the Alberta-Saskatchewan border. The upgrader's construction and financing have pre-occupied Husky for almost a decade. Husky has a 27 per cent stake in the C$1.6bn project, which processes tar-like heavy oil into 46,000 barrels a day of synthetic light crude.

From a technical point of view, the long-delayed upgrader is performing splendidly, but the narrowing price differential between heavy and light crude oil has severely eroded its financial performance.

Husky and its partners – the Alberta, Saskatchewan and federal governments – were hoping for a gap averaging C$8 to C$9 a barrel. But strong demand for heavy oil coupled with the sliding price of light crude has squeezed margins, narrowing the spread to less than C$5.

The damage to Husky will be limited, provided the depressed margins do not last too long. The company has long had a reputation as one of the Canadian oil industry's most politically influential players.

The upgrader deal obliges the government shareholders to absorb the bulk of any losses in the early years of operation, or to hand over to Husky more than its proportionate share of profits. However, one of Husky's partners also expresses concern about the upgrader's longer-term economics, saying that price forecasts made in the early days of construction in 1986 may no longer be realistic.

Optimism about Husky's future is based largely on its decision several years ago to focus on natural gas and heavy oil. It withdrew from light-crude exploration in 1987, and has consolidated its remaining oil and gas properties, in the process raising about C$600m from asset disposals.

Much of its exploration and development effort is now concentrated in the Rockies foothills, west of Calgary. Mr Price claims Husky's gas properties are "about the best in the business" measured by quality of reserves and development costs.

Mr Lau and Mr Price refuse to comment on rumours that Husky's drills have struck a vast reservoir in the foothills. But they do predict that the benefits of work being done now will show up in the company's financial performance over the next three to five years.

Perhaps the most telling sign that Mr Li's investment may at last be paying off is the recent acquisition by several other prominent Hong Kong entrepreneurs of Westcoast Petroleum, another western Canadian oil and gas producer.

Outsiders suspect these investors would not have made their move without a quiet word from Mr Li that things were starting to look up in Calgary.

Kmart considers sale of PayLess Northwest unit

By Nikki Tait

KMART, the Michigan-based retailer, said yesterday it was considering the sale of its PayLess Drug Stores Northwest subsidiary.

PayLess comprises 560 drug store outlets in a dozen states, mainly in the west of the US. Its sales last year reached $2.3bn, and operating profits stood at $113m.

Kmart gave no indication of how far any potential sale process had gone, and its chairman, Mr Joseph Antonini, said that he could not predict the outcome "at this time".

The retailer has been struggling in the face of an increasingly difficult market for the discount store operators, and its Pace warehouse club chain has faced significant problems.

In June, Kmart warned that after-tax profits for the current year would be unlikely to match 1992's $941m, and its shares have been bumping around their 52-week lows in recent weeks.

This summer, Kmart indicated it might spin off or sell some of its specialist retail interests – although yesterday's announcement is the first time that the group has specifically named a division which might be up for sale.

Kmart is best-known for its mainline discount stores, but also incorporates specialised retail businesses. Aside from PayLess and the Pace club outlets, Kmart takes in Builders Square, Waldenbooks, The Sports Authority, OfficeMax and Borders – selling goods ranging from books to sportswear.

Tax adjustment boosts Highveld Steel returns

By Philip Gawith in Johannesburg

HIGHVELD Steel and Vanadium, a subsidiary of Anglo American Industrial Corporation, increased first-half attributable earnings by 21 per cent from R31m to R37.6m ($11.2m) after benefiting from a R10m deferred tax adjustment.

Operating profit, however, fell to R34.07m from R35.9m despite a 6 per cent increase in turnover to R737.4m, reflecting the difficult market conditions. The interim dividend was maintained at 20 cents a share on a 21 per cent increase in earnings per share to 42.5 cents, from 35.1 cents.

Mr Leslie Boyd, chairman, said an end to inventory corrections by steel stockists and new projects had helped local steel sales increase by nearly 10 per cent over the same period in 1992.

Although world steel consumption is forecast to fall this year, prices continue to improve, and all of Highveld's ironmaking furnaces were brought back into production.

Mr Boyd predicted that firmer dollar prices for export steel and ferro-alloy products, and a weaker rand, should allow a "moderate" increase in second-half earnings over the first six months.

The vanadium market, however, continues to be difficult. Prices have fallen to a level last seen during the recessionary period of 1982-83.

This is the result of lower consumption, exacerbated by the entry of Russian producers at costs "unrelated to western costs". Highveld, the world's largest vanadium producer, has closed its Vantra vanadium pentoxide plant. It is unlikely to open again before the fourth quarter.

The Rand Carbide and Transalloys divisions continued to operate below capacity, though the outlook is now more positive, while sales at the Rheem division were lower than in 1992.

Gencor unveils unbundling details

By Philip Gawith

GENCOR, South Africa's second-largest mining house, yesterday unveiled details of its proposed unbundling which will leave it larger than originally anticipated.

It will also have a residual 20 per cent holding in the consumer industrial group Malbak, which is being spun off.

When Gencor made its initial announcement in May, it said it would be unbundling all its non-mining assets, after which its net asset value could be as low as R10bn. Yesterday's announcement said net assets would be R14.1bn ($4.2bn).

Mr Brian Gilbertson, executive chairman, stressed that the central aim – to leave the unbundled Gencor with the critical mass necessary to be a successful international resource company – had been achieved. He also noted that Malbak would in future be a portfolio investment, not a managed one as in the past. He would step down from the Malbak board.

The unbundled Gencor's larger size came primarily from an appreciation in its mining assets, especially gold and platinum, since the earlier announcement. Gencor had also, as previously announced, collected about R1.6bn in cash and portfolio investments since then.

Mr Gilbertson pointed out that about 30 per cent of the new Gencor's net assets would be in cash and other realisable investments. "This is an exceptionally healthy position for a mining group ahead of a possible upturn in metal markets." But there were no immediate spending plans.

Negotiations about buying most of Billiton, the mining and metals arm of the Royal Dutch/Shell group, were "on course", he added. Prospects of this deal being consummated had improved "but it is by no means a certainty".

Bronfmans to cede control of Trizec in debt restructuring

By Bernard Simon in Toronto

TORONTO'S Bronfman family will relinquish control of Trizec, North America's biggest publicly-traded real estate developer, under a debt-restructuring plan unveiled by the Calgary-based company.

The proposals, covering C$1.9bn of Trizec's C$5.3bn (US$4.14bn) debt, involve the conversion of at least half the parent company's senior debentures, as well as junior debt and preferred shares, into common equity.

The recapitalisation plan would reduce debt by C$869m and cut debt-servicing costs by C$130m a year.

The number of common shares outstanding would more than quadruple to 330m shares, leaving existing shareholders with a stake of only 23 per cent. Carena Developments, the Bronfman holding company which owns 53 per cent of Trizec, would end up with about 12 per cent.

Senior debenture holders would own 49 per cent of the shares, while 16 per cent would be in the hands of junior debt holders.

Holders of senior debentures, over half of which are held in Europe, would convert part of their holdings into a new 10-year security with an 8 per cent interest rate.

Trizec could later convert the new debentures into common shares as well if the North American real estate market deteriorates further. But Mr Kevin Benson, chairman, said yesterday that "we really want to repay that debenture to preserve equity for the common shareholder".

The company plans to list its shares on the New York Stock Exchange once the restructuring is complete. The existing two classes of common shares would be combined into one.

Mr Benson said he hoped to reach agreements with the senior and junior debt holders within the next six weeks. Trizec is seeking the concessions because of its expected inability to meet C$980m in debt repayments which fall due over the next three years. With real estate financing in the doldrums, the prospects are slim for raising new equity or refinancing existing debt. The attractions of selling assets have also diminished.

Trizec's class B shares tumbled by 46 cents in Toronto yesterday morning, to C$1.10, against a 1990 peak of C$30.

Corning to take $25m charge

By Karen Zagor in New York

CORNING Inc, the US high-technology group, yesterday said it would take an after-tax restructuring charge of $25m to $50m in the third quarter related to its acquisition of Damon Corporation, a US medical testing laboratory.

Corning said the Damon transaction would be slightly dilutive to earnings per share for the next 12 months.

The company plans to issue about $200m of long-term debt and about $400m of common stock in the second half of this year to finance the Damon transaction. Corning completed its tender offer for Damon yesterday.

Corning also plans to increase its registered debt securities to $500m from $50m and has filed a shelf registration with the Securities and Exchange Commission.

In June, Corning made an unsolicited bid of $370m for Damon in a move to strengthen its position in the clinical laboratory sector. The acquisition will help Corning compete with SmithKline Beecham for leadership of the sector.

● Walt Disney, the US entertainment group, has filed with the SEC for a shelf offering of up to $1bn of debt securities. The company said it would use the proceeds for general purposes.

General Re advances to $183m

By Patrick Harverson

GENERAL Reinsurance, the largest US reinsurer, recorded second-quarter net income of $183.8m, or $2.14 a share, up from $158.5m, or $1.80, a year ago.

The growth in General Re's earnings stemmed from lower claims and expenses, an improvement in the company's underwriting results, and a modest rise in investment income. The strong second quarter took the Connecticut-based reinsurer's six-month earnings to $344.4m, down from the $366.3m recorded in the first half of 1992.

Last year's six-monthly results, however, were boosted by a one-off gain of $61m from an accounting adjustment.

General Re's worldwide net premium volume in the quarter climbed 3.2 per cent to $588.4m, due primarily to a 42 per cent jump in international reinsurance premium volume. Net investment income totalled $193.8m over the three months, up from $187.9m a year ago.

Total revenues reached $843.4m, up from $829.2m in the second quarter of 1992.

Claims and claim expenses totalled $397.4m, compared with $427.8m a year ago, and overall expenses shrank by 3.3 per cent to $608.4m.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

MAXWELL COMMUNICATION CORPORATION plc, et al.,

Debtors.

Chapter 11
Case No. 91 B 15741 (TLB)

Jointly Administered

NOTICE OF LAST DATE TO FILE PROOFS OF CLAIM AND CLAIMS DATE AND EFFECTIVE DATE OF PLAN AND SCHEME

TO ALL CREDITORS AND OTHER PARTIES IN INTEREST:

PLEASE TAKE NOTICE that the Chapter 11 Plan (the "Plan") for Maxwell Communication Corporation plc ("MCC") was approved by the United States Bankruptcy Court for the Southern District of New York (the "US Bankruptcy Court") on July 14, 1993 and the Scheme of Arrangement for MCC under Section 425 of the Companies Act 1985 of Great Britain (the "Scheme") was sanctioned by the High Court of Justice in London, England (the "English Court") on July 21, 1993.

PLEASE TAKE FURTHER NOTICE that the Effective Date of the Plan and the Scheme occurred on July 28, 1993.

PLEASE TAKE FURTHER NOTICE THAT ALL PERSONS AND ENTITIES, INCLUDING INDIVIDUALS, PARTNERSHIPS, CORPORATIONS, ESTATES, TRUSTS, UNIONS AND GOVERNMENTAL UNITS THAT ASSERT A CLAIM AGAINST MCC WHICH CLAIM AROSE OR IS DEEMED TO HAVE ARISEN PRIOR TO DECEMBER 16, 1991, (1) MUST FILE A PROOF OF CLAIM IN THE UNITED STATES AS HEREINAFTER DESCRIBED SO THAT IT IS RECEIVED ON OR BEFORE SEPTEMBER 27, 1993, (THE "BAR DATE") OR (2) MUST SUBMIT A NOTICE OF CLAIM IN ENGLAND AS HEREINAFTER DESCRIBED ON OR BEFORE 5:30 P.M. LONDON TIME ON SEPTEMBER 27, 1993, (THE "CLAIMS DATE"), EXCEPT AS PROVIDED IN PARAGRAPHS 1 THROUGH 5 BELOW.

The following special provisions apply to certain creditors. You should consult with a lawyer, solicitor or other advisor if you have any questions concerning their application.

1. Any person or entity that asserts an unsecured claim based on any of the following bearer bonds ("Bearer Bonds") issued by MCC need not file a proof of claim or submit a notice of claim with respect to the claim based on Bearer Bonds. Under the terms of the Plan and the Scheme, the Agent Banks with respect to the Bearer Bonds have agreed to lodge a timely notice of claim with the Administrators, on behalf of the owners of the relevant Bearer Bonds, in respect of the outstanding amounts of the Bearer Bonds. The Bearer Bonds consist of the following:

(i) 150,000,000 Deutsche Mark 6% bonds of 1988/1993, due 15th June 1993;
(ii) 75,000,000 ECU 8 3/8% bonds of 1988/1993, due 1st September 1993, and
(iii) 150,000,000 Swiss Franc 5% bonds of 1988/1995, due 18th June 1995.

2. Any person or entity that asserts only an unsecured claim against MCC and has already properly filed a proof of claim, or properly submitted a notice of claim, need neither file an additional proof of claim nor submit an additional notice of claim.

3. Any person or entity whose unsecured claim is the subject of an amendment to MCC's Schedule of Liabilities as filed with the US Bankruptcy Court such that the unsecured claim is accurately listed on the Schedule as amended, need not file a proof of claim or submit a notice of claim to assert such claim against MCC unless such claim is listed as disputed, contingent or unliquidated in such Schedule. If a claim is listed as disputed, contingent or unliquidated in MCC's Schedule of Liabilities, or if a claim is not listed in the Schedule, a proof of claim must be filed on or before the Bar Date with the US Bankruptcy Court, at the address indicated below, or a notice of claim must be submitted with the Joint Administrators, at the address indicated below, in England on or before the Claims Date.

4. MCC, acting by the Joint Administrators, reserves its right to amend MCC's Schedule of Liabilities after giving those creditors affected by an amendment notice of such amendment and an opportunity to file a proof of claim or to submit a notice of claim within 30 days after the date of service of such notice if the amendment would otherwise prejudice the creditor's right to assert a claim. Any notice to a creditor shall state the time within which the creditor shall file a proof of claim or submit a notice of claim following an amendment to the Schedule of Liabilities.

5. Persons or entities holding or acquiring claims arising out of recovery by MCC of a transfer of MCC's property shall file a proof of claim or submit a notice of claim in the manner specified below on or before the later of

(i) September 27, 1993, the Bar Date or Claims Date, and
(ii) (x) thirty days after the date of service of notice of entry of an order or judgment by this Court authorizing or approving the recovery of such transfer, or (y) thirty days after the date of service of notice of entry of an order or judgment by the English Court approving the recovery of such transfer.

The Schedule of Liabilities may be examined at the office of the Clerk of the United States Bankruptcy Court, 1 Bowling Green, New York, New York, on business days from 9:30 a.m. to 12:00 noon and from 1:30 p.m. to 4:00 p.m. MCC, acting by the Joint Administrators, reserves its right to amend MCC's Schedule of Liabilities after giving those creditors affected by an amendment notice of such amendment and an opportunity to file a proof of claim or to submit a notice of claim if the amendment would otherwise prejudice the creditor's right to assert a claim.

PLEASE TAKE FURTHER NOTICE that all persons and entities subject to this notice who do not file proofs of claim on or before the Bar Date or submit notices of claim before the Claims Date SHALL FOREVER BE BARRED from asserting a claim against MCC's estate or its property and receiving any distribution under the Plan and the Scheme. Nevertheless, all persons and entities holding or asserting claims against MCC, whether or not such person or entity files a proof of claim or submits a notice of claim, shall be bound by the terms of the Plan and the Scheme.

PLEASE TAKE FURTHER NOTICE that, as used herein, "claim" means right to payment based on an obligation or liability of MCC, whether it is present, future or contingent, whether or not its amount is fixed or liquidated, whether or not it is disputed, whether or not it involves the payment of money, whether it is secured or unsecured and whether it arises at common law, in equity or by statute in the United States, Great Britain or in any other jurisdiction or in any other manner whatsoever; and includes, without limitation, a "claim" within the meaning of section 101(5) of the US Bankruptcy Code. "Claim" includes any claim based upon, or arising out of, the rejection of any executory contract or unexpired lease, the recovery of a voidable transfer, or MCC's primary, secondary, direct, indirect, contingent or guaranty liability or otherwise.

PLEASE TAKE FURTHER NOTICE THAT THE US BANKRUPTCY COURT HAS DIRECTED THAT ALL PROOFS OF CLAIM BE FILED BY MAIL AT THE FOLLOWING ADDRESS:

United States Bankruptcy Court for the Southern District of New York
Re: Maxwell Communication Corporation plc
Bowling Green Station
P.O. Box 102
New York, NY 10274-0102

If proofs of claim are filed in person or by hand delivery, they should be filed with the Clerk of the United States Bankruptcy Court, Room 534, 1 Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE THAT ALL NOTICES OF CLAIM MUST BE SUBMITTED BY MAIL OR BY HAND DELIVERY TO THE FOLLOWING ADDRESS:

For the attention of the Joint Administrators of
Maxwell Communication Corporation plc - Ref: JGP
No. 1 London Bridge
London SE1 9QL
England

PLEASE TAKE FURTHER NOTICE THAT ALL FILINGS AND SUBMISSIONS BY MAIL MUST BE RECEIVED AT THE CORRECT ADDRESS ON OR BEFORE THE BAR DATE OR THE CLAIMS DATE, AS APPROPRIATE. PROOFS OF CLAIM SHALL CONFORM SUBSTANTIALLY TO THE OFFICIAL BANKRUPTCY FORM NO. 10 OR TO THE FORM ATTACHED AS ANNEXURE 2 TO THE PLAN AND THE SCHEME, WHICH WAS APPROVED BY THE US BANKRUPTCY COURT AND IS AVAILABLE FROM THE JOINT ADMINISTRATORS AND THEIR US COUNSEL, AND NOTICES OF CLAIM SHALL CONFORM TO THE FORM ATTACHED AS ANNEXURE 2 TO THE SCHEME AND THE PLAN, WHICH IS AVAILABLE FROM THE JOINT ADMINISTRATORS. TO ASSIST IN THE REVIEW AND RECONCILIATION OF PROOFS OF CLAIM AND NOTICES OF CLAIM, SUCH PROOFS OF CLAIM AND NOTICES OF CLAIM MUST INCLUDE COPIES OF ANY INVOICES, STATEMENTS OR OTHER DOCUMENTS EVIDENCING THE AMOUNT AND/OR BASIS OF THE CLAIM. IF THE INVOICES, STATEMENTS OR OTHER DOCUMENTS EVIDENCING THE AMOUNT AND/OR BASIS OF THE CLAIM ARE VOLUMINOUS, ATTACH A SUMMARY.

PLEASE TAKE FURTHER NOTICE that if you wish additional information concerning the filing of a proof of claim or notice of claim, you may contact counsel for the Joint Administrators at the address set forth below. You may also wish to contact your lawyer, solicitor or other advisor.

Dated: New York, New York
July 28, 1993

BY ORDER OF THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK
Honorable Tina L. Brozman,
United States Bankruptcy Judge

Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, New York 10005
(212) 530-5000
Attention: John G. Gellene, Esq.
United States Counsel for the Joint Administrators

MAXWELL COMMUNICATION CORPORATION PLC (IN ADMINISTRATION)
Scheme of Arrangement
Plan of Reorganization

On 14th May 1993, notice was given of a proposed scheme of arrangement in England (the "Scheme") and a plan of reorganization in the United States (the "Plan") in relation to Maxwell Communication Corporation plc (In Administration) ("MCC").

NOTICE IS HEREBY GIVEN that the Scheme and the Plan have been approved by the necessary majorities of creditors and by the English Court and the US Bankruptcy Court. The date on which the Scheme and Plan became effective (described in the Scheme and Plan as the "Effective Date") was 28th July 1993.

Under the terms of the Scheme and the Plan, Scheme Creditors of MCC have until 27th September 1993 to submit details of any claims they may have against MCC. Failure to do so will generally prevent them from participating in distributions under the Scheme and the Plan. Scheme Creditors who are known to the Administrators have been sent a form marked "Notice of Claim/Proof of Claim". It should be completed in accordance with the instructions contained on it and returned by 27th September 1993. Any person claiming to be a Scheme Creditor of MCC who has not received such a form by 12th August 1993 should immediately contact the Administrators at Price Waterhouse (ref: JGP), No. 1 London Bridge, London SE1 9QL, England (telephone no. 071 939 1891).

Notices of claim have already been lodged in respect of the following bearer bonds issued by MCC:

- 150,000,000 Deutsche Mark 6% bonds of 1988/1993, due 15th June 1993
- 75,000,000 ECU 8 3/8% bonds of 1988/1993, due 1st September 1993
- 150,000,000 Swiss Franc 5% bonds 1988/1995, due 18th June 1995.

Accordingly, holders of such bonds need not lodge a claim unless they have a claim against MCC otherwise than in respect of such bonds.

This publication also contains a formal notice required under US law.

Dated: 5th August 1993

A. M. Homan
J. G. A. Phillips
C. G. Bird
A. R. D. Jamieson
Administrators of Maxwell Communication Corporation plc

INTERNATIONAL CAPITAL MARKETS

Hopes of rate easing sustain bund progress

By Sara Webb in London and Patrick Harverson in New York

GERMAN government bonds made further headway yesterday, prompted mainly by hopes that the Bundesbank would cut its key discount rate towards the end of the month, although the success of the latest 10-year bund auction provided an additional tonic.

Hopes of a Bundesbank easing were fuelled by the central bank's allocation of 14-day and 28-day securities repurchase agreements, with the market taking cheer from the minimum rate of 6.7 per cent on the 28-day tranche.

GOVERNMENT BONDS

This is below both the 14-day rate of 6.8 per cent and the discount rate, currently at 6.75 per cent.

"The 28-day rate of 6.7 per cent attracted a lot of attention, and created the expectation of a discount rate cut of between 75 to 100 basis points on August 26 [when the Bundesbank council returns from holiday]," said Mr Julian Callow, European bond and currency analyst at Kleinwort Benson.

Meanwhile, dealers said the new 6.5 per cent 10-year bund issue was well-received. The average price at the auction was 100.52 and the average yield was 6.43 per cent.

■ ELSEWHERE in Europe, the recent bond market frothiness appeared to have subsided.

French government bonds ended lower ahead of today's auction of 10-year and 30-year stock. The main talking point remains the question of when the Banque de France will see fit to cut interest rates.

The September 10-year futures contract ended 0.18 lower at 121.76, while the 10-year OAT yield ended 1 basis point above the bund yield, compared with 2 basis points through the bund yield the previous day.

The high-yielding government bond markets, which have rallied strongly since the weekend agreement to move to wider fluctuation bands in the European exchange rate mechanism, ran out of steam yesterday and gave up some of their early gains.

■ UK government bonds fell back on profit-taking with short-dated issues weakening as the much-wanted interest rate cut failed to materialise. The Liffe gilt future contract opened at 110.12 and traded at 110.16 by late afternoon.

■ THE RECENT rally in Japanese government bonds took a breather yesterday as the yen receded slightly against the US dollar.

Dealers reported profit-taking as the dollar strengthened to just over Y105. The September JGB futures contract, which opened at 111.39, reached a high of 111.49 and then fell to close at 111.15.

■ PROFIT-TAKING following Tuesday's big gains and concerns about the passage of President Bill Clinton's budget depressed prices at the long end of the US bond market yesterday morning.

By midday, the benchmark 30-year government bond was down 1/32 at 107 28/32, yielding 6.525 per cent. At the short end, the two-year note was unchanged at 100 3/16, to yield 4.134 per cent.

After Tuesday's solid advance in long-dated securities, an advance which temporarily pushed yields to new record lows, investors took the opportunity yesterday to book some profits in early trading.

Prices were also under pressure from reports that a key Democrat senator was leaning towards voting against Mr Clinton's budget package. The passage of the budget hangs in the balance, and the loss of support of a few Democrats could scuttle its chances of approval.

Apart from the early declines, business was relatively light, with many participants staying on the sidelines until the afternoon release of the quarterly refunding announcement.

● THE London International Financial Futures and Options Exchange (Liffe) has suspended the December 1993 delivery month of its Spanish government bond futures contract, pending a review of the contract.

FT FIXED INTEREST INDICES

	Aug 4	Aug 3	Aug 2	July 30	July 29	Year ago	High *	Low *
Govt Secs (UK)	98.80	98.89	99.29	99.17	98.57	88.28	98.88	93.28
Fixed Interest	120.03	119.58	119.19	118.73	118.13	105.09	120.03	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 120.03 (4/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 3	Aug 2	July 30	July 29	July 28
Gilt Edged Bargains	185.0	123.9	137.7	119.1	146.7
5-Day average	142.5	130.0	128.9	116.2	112.4

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	118.5351	-	6.91	7.04	7.30
BELGIUM		9.000	03/03	113.4500	+0.180	7.00	7.10	7.05
CANADA *		7.500	12/03	103.0500	+0.200	7.08	7.25	7.24
DENMARK		8.000	05/03	108.2000	-	6.82	7.07	6.88
FRANCE	BTAN	8.000	05/98	108.9410	-0.350	5.79	6.18	6.25
	OAT	8.500	04/03	114.2250	-0.300	6.47	6.76	6.84
GERMANY		6.750	04/03	102.2200	+0.130	6.43	6.57	6.71
ITALY		11.500	03/03	107.3500	-0.290	10.54†	11.05	11.13
JAPAN	No 119	4.800	06/99	104.7089	-0.075	3.82	3.93	4.14
	No 145	5.500	03/02	108.3718	-0.207	4.18	4.17	4.30
NETHERLANDS		7.000	02/03	105.2800	-0.060	6.26	6.41	6.54
SPAIN		10.300	06/02	103.8533	-0.415	9.63	10.22	10.17
UK GILTS		7.250	03/98	103-03	-3/32	6.47	6.65	6.75
		8.000	06/03	105-20	+8/32	7.19	7.44	7.58
		9.000	10/08	111-29	+1/32	7.65	7.83	7.99
US TREASURY *		6.250	02/03	103-05	-2/32	5.81	5.92	5.74
		7.125	02/23	107-24	-10/32	6.53	6.69	6.66
ECU (French Govt)		8.000	04/03	105.8700	+0.690	7.14	7.24	7.18

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Philippine institutions set to issue more debt

By Jose Galang in Manila

PHILIPPINE state institutions are increasingly turning to the international bond markets as the government continues to struggle with serious fiscal shortages.

There are fears that the queue may lead to a bunching of maturities that could again result in payments difficulties for the country, which is just recovering from a 1983 moratorium on foreign debt repayments caused by a severe financial crisis.

Following the national government's successful Eurobond offer of $150m last February, the Philippines' first since the 1983 crisis, several state-owned corporations have lined up to issue Eurobonds.

However, early this year, Mr Christopher Brown, the IMF resident representative in Manila, pointed out to Philippine officials the dangers of acquiring too much new debt too soon after the government had announced plans to finance infrastructure projects with its Eurobond proceeds.

Philippine officials say the IMF is taking a critical view of these relatively short-term borrowings particularly because they are intended for lengthy programmes.

National Power Corporation (Napocor), plans to use the proceeds of its bond for a capital increase. The Development Bank of the Philippines, however, will use its borrowings for loan programmes for the private sector.

The IMF's criticism could also affect the Philippines' lengthy negotiations with the fund for an economic recovery programme.

The Philippines is seeking an $800m three-year financing under the IMF's extended fund facility, but the negotiations have dragged on due to doubts over the government's ability to raise sufficient revenue.

The talks are planned to resume in September, but newly-released government data do not appear reassuring. Government revenue collections in the first half of the year were 10 per cent of the target.

Trade in Russian debt up sharply in wake of agreement

By Leyla Boulton in Moscow

AN UNEXPECTED rescheduling agreement reached by Russia and western creditor banks has triggered a sharp increase in price and trading volume on the secondary market for Russian debt, debt traders said yesterday.

The price has risen from 28 cents to the dollar before the London Club agreement was announced in a circular by the banks' advisory committee last Friday to 33 cents on Monday and 41 to 42 cents yesterday.

Mr Peter Bartlett, a trader in east European debt at Morgan Grenfell in London, said his bank, which makes a market in the debt, had on Tuesday alone conducted 30 transactions averaging $2m to $3m each.

He said the main buying had come from North and Latin American investors who had made big profits on Latin American debts and who were looking for another "very exciting rollercoaster LDC ride".

Bankers said the market had not expected an agreement so soon given the impression that of chaos prevails within Russia and that Russia might try to drag out the rescheduling talks.

Under the provisional deal reached by Mr Andrei Vavilov, the deputy finance minister, in Frankfurt last week, Russia has agreed to pay $500m in three tranches in the last quarter of 1993. Repayment of another $3bn of interest owed this year will be postponed for five years. Russia's latest estimate of its commercial bank debt is $24bn.

Repayment details have yet to be agreed with creditors, however, and there is no guarantee the government will deliver when the time comes.

Possible explanations for Russia's rush to conclude an agreement range from national pride to a desire by the reformist finance ministry to assert Russia's credibility when domestic political chaos has been aggravated by the central bank's botched monetary reform.

UK banks pick up further Italian sell-off business

By Haig Simonian in Milan

UK MERCHANT banks have won a further substantial stake in Italy's privatisation plans with the announcement of valuers and co-ordinators for some of the most important deals in the disposal programme.

Schroders and Fox Pitt Kelton are to value Ina, the life insurance group, in which the government hopes to float an opening stake early next year. Schroders has already carved out a strong position in transactions in the financial services sector, while Fox Pitt Kelton is a specialist in insurance.

Kleinwort Benson, the merchant bank which earlier valued the big Crediop long-term lending group, has been appointed to value the Enel electricity generating authority. Timing will depend on new laws changing the company's monopoly and the tariff structure.

The treasury announced that four leading Italian banks would act as global co-ordinators for the Ina flotation, along with Goldman Sachs. It also confirmed the job of co-ordinating the sale of shares in the IMI financial services group would be done by IMI itself and SG Warburg. A valuer for IMI will be appointed by the end of this month.

Responsibility for appointing banks to value and manage the privatisations of several other public sector groups has been devolved to their mangements, which will have to reach a decision by September 15. The list includes Banca Commerciale Italiana and Credito Italiano, two of Italy's biggest banks, the Stet telecommunications holding company and the Agip oil group.

Strong demand for sterling mortgage-backed offer

By Tracy Corrigan

THE FIRST offering this year of sterling bonds backed by performing mortgages met strong demand yesterday, fuelled by the shortage of paper in the sector.

The £140m issue of floating-rate notes was backed by National Home Loans mortgages. In March, National Home Loans, the troubled UK mortgage lender, launched a £105m issue of securities backed by non-performing mortgages.

INTERNATIONAL BONDS

The new issue is backed by £60m to £65m of mortgages from NHL's balance sheet, with the rest taken from existing pools following the refinancing of two existing mortgage-backed deals.

Mr Nigel Terrington, NHL's finance director, said the mortgage book was now down to less than £250m, which is financed by NHL's banks, following a rescue package last year. The company will continue to run down its mortgage book. It is also reviewing whether to resume lending and a decision is expected by December, Mr Terrington said.

The latest deal pays interest at 50 basis points above Libor, which represents a discounted margin of 52 basis points over Libor, in line with secondary market levels, according to lead manager SG Warburg.

The deal was quoted at 100.05, above its fixed reoffer price of 99.93.

Also in the sterling sector, Denmark was yesterday taking proposals from banks for a three to five-year bond offering totalling up to £1bn, dealers said.

In the Canadian dollar sector, three four-year deals totalling C$425m were all priced over the three-year Canadian government bond yield, giving an artificial boost to their yield spreads.

Both SNCF and GECC launched four-year deals priced to yield 45 basis points over the three-year benchmark. Dealers said this represents around 20 basis points over the interpolated yield curve.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bayerische Hypobank(a)‡	50	(a)	100R	Aug.2003	0.5R	-	Goldman Sachs Intl.
STERLING							
Homer Finance No.2(b)‡	140	(b)	99.93R	Aug.2030	0.25R	-	UBS/ SG Warburg Secs.
Homer Finance No.2(c)‡	14	(c)	100R	Aug.2030	1.5R	-	UBS/ SG Warburg Secs.
CANADIAN DOLLARS							
General Electric Capital Corp.	150	6.25	99.62R	Sep.1997	0.225R	+45 (6½%-96)	JP Morgan/Swiss Bk.Corp.
SNCF	150	6.25	99.62R	Sep.1997	0.225R	+45 (6½%-96)	JP Morgan Securities
European Investment Bank	125	6	99.06R	Sep.1997	0.2R	+38 (6½%-96)	Barclays de Zoete Wedd
AUSTRALIAN DOLLARS							
Sth.Australian Govt.Fin.Auth.	125	7.25	100.7	Sep.2003	2.125	-	Hambros Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched on 23/7/93 was increased to $150m. Coupon pays 6-month Libor - 0.25%; minimum 5.25%, maximum 8.25%. b) Class A notes. Coupon pays 3-month Libor + 0.5% until Feb.2001 and + 1% thereafter. Average life: 4.6 years. c) Class B notes. Coupon pays 3-month Libor + 1.9% until Aug.1998, + 2% until Feb.2001 and + 2.25% thereafter. Average life: 6.5 years.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on August 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9⅛ 94	200	104¾	105⅛	+⅛	4.14
AlbertaProvince 9⅜ 95	600	109⅝	110		4.71
Austria 8½ 00	400	114	114½		5.88
Bank of Tokyo 8⅜ 96	190	107⅝	108¼		5.21
Belgium 9⅝ 98	250	116⅞	117¼	-⅛	5.61
BFCE 7¾ 97	150	108	108⅝		5.23
BNP 8⅝ 94	300	104½	104⅞	+⅛	3.98
British Gas 0 21	1500	12⅝	12⅞	+⅛	7.66
Canada 9 96	1000	110	110⅜		4.74
CCCE 9¼ 95	300	107⅜	107¾	+⅛	4.28
Council Europe 8 98	100	108	108½	+⅛	5.06
Credit Foncier 9½ 99	300	117⅝	118	-⅛	5.70
Denmark 9¼ 95	1571	107½	107⅞	-⅛	4.36
ECSC 8¼ 96	193	108⅝	109¼	-⅛	5.30
EEC 8¼ 96	100	108⅛	108½		5.13
EIB 7¾ 96	250	107¼	107¾	-⅛	5.02
EIB 9¼ 97	1000	114⅜	114¾	+⅛	5.39
Elec de France 9 98	200	113⅞	114¼	+¼	5.53
Euro Cred Card Tst 9 94	325	104¾	105⅛	-¼	4.79
Eurofima 9¼ 96	100	110⅞	111⅛	-⅛	4.89
Ex-Im Bank Japan 8 02	500	111½	111⅞	-⅛	6.26
Export Dev Corp 9½ 98	150	115¾	116⅛	-¼	5.75
Finland 7⅞ 97	200	106¼	107	-⅛	5.82
Finnish Export 9⅝ 95	200	109½	110		4.78
Ford Motor Credit 6¼ 98	1500	101½	101⅞	-⅛	5.96
Gen Elec Capital 9⅜ 98	300	111⅜	111¾	+⅛	4.98
GMAC 9⅛ 96	200	108⅛	108⅞		5.65
Ind Bk Japan Fin 7⅞ 97	200	107⅝	108⅛	+¼	5.63
Inter Amer Dev 7⅜ 96	200	107¼	107⅝	-⅛	5.03
Italy 8½ 94	1500	105⅛	105⅝	+⅛	4.11
Japan Dev Bk 8⅜ 01	500	113⅞	114¼	-⅛	6.02
Kansai Elec Pwr 10 96	350	112	112⅜		5.04
LTCB Fin 8 97	200	107	107⅜	+½	5.69
Matsushita Elec 7¼ 02	1000	105¾	106⅛		6.50
New Zealand 9 94	850	105⅜	105¾	+⅛	3.78
Nippon Cred Bk 10⅛ 95	150	108	108¾	-⅛	5.33
Nippon Tel Tel 9⅜ 95	200	107⅞	107⅞	+⅛	4.41
Ontario 7⅜ 03	3000	106½	106¾		6.55
Oster Kontrollbank 8½ 01	200	114⅝	114⅞		6.03
Petro-Canada 7¼ 96	200	105½	106⅛		5.07
Quebec Hydro 9¾ 98	150	115½	116⅛	-⅛	6.14
Quebec Prov 9 98	200	111½	112⅛	+⅛	6.09
Sainsbury 9⅛ 96	150	108⅝	110⅛	-¼	5.62
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.49
Genfinance Lux 9⅛ 99 LFr	1000	108⅜	110½		7.26
World Bank 8 99 LFr	1000	102	103	-⅛	7.14
Bank Voor Ned Gem 7⅝ 02 Fl	1000	105⅜	105¾		6.82
Energie Beheer 8⅛ 98 Fl	500	110¼	110¾		6.39
AlbertaProvince 10⅝ 96 C$	500	109⅞	110½	+⅛	6.25
Bell Canada 10⅝ 99 C$	150	113¼	113¾	+⅛	7.75
British Columbia 10 96 C$	500	109⅜	109⅞	+⅛	6.27
EIB 10⅛ 98 C$	130	112	113		6.97
Elec de France 9¾ 99 C$	275	111⅛	111¾		7.41
Ford Credit Canada 10 94 C$	100	103¾	104½		8.09
Gen Elec Capital 10 96 C$	300	108½	109	-⅛	6.62
KfW Int Fin 10 01 C$	400	112¾	113¼		7.70
Nippon Tel Tel 10¼ 99 C$	200	113	113½	+⅛	7.54
Ontario Hydro 10⅞ 99 C$	500	115½	115⅞	+¼	7.40
Oster Kontrollbank 10¼ 99 C$	150	113⅛	113⅞	-⅛	7.45
Quebec Prov 10½ 98 C$	200	111⅞	112½	-1½	7.68
Belgium 9⅛ 96 Ecu	1250	105¾	106		6.84
Council Europe 9 01 Ecu	1100	109¾	110	+½	7.37
Credit Lyonnais 9 96 Ecu	125	104¾	105½	+⅛	7.03
EIB 10 97 Ecu	1125	110⅛	110⅞	+⅛	6.68
Ferro del Stat 10⅛ 98 Ecu	500	110⅜	110¾	+⅛	7.28
Italy 10¾ 00 Ecu	1000	115⅝	116	+¼	7.67
Spain 9 96 Ecu	1000	105¾	106		6.66
United Kingdom 9⅛ 01 Ecu	2750	110⅞	111⅛	+½	7.19
AIDC 10 99 A$	100	113½	114⅛		7.10
BP America 12¼ 96 A$	100	112⅞	113⅞	-¼	6.63
Comm Bk Australia 13¼ 99 A$	100	131¼	131¾		7.25
Eksportfinans 12⅞ 95 A$	75	110¾	111¼	+⅛	5.96
McDonalds Canada 15 95 A$	100	115⅛	115⅝	-¼	6.28
NSW Treasury Zero 0 20 A$	1000	13¼	13½	-⅛	7.58
R & I Bank 7¾ 03 A$	125	101⅝	102⅛		7.51
Sth Aust Govt Fin 9 02 A$	150	108⅞	109⅜		7.61
Unilever Australia 12 98 A$	150	118⅞	119⅜	-⅛	7.09
Abbey Natl Treas 13⅜ 95 £	100	110⅝	111⅛		5.98
Alliance Leics 11⅜ 97 £	100	113¾	114¼		7.06
British Gas 12¾ 95 £	300	109⅜	109⅞	-⅛	6.06
British Land 12½ 16 £	150	128⅜	128⅞	+⅛	9.66
EIB 10 97 £	637	110⅜	110⅞		6.56
Halifax 10⅜ 97 £	100	110¾	111¼		6.86
Hanson 10⅜ 97 £	500	110½	110¾	+⅛	7.35
HSBC Holdings 11.69 02 £	153	117⅞	118⅜		8.74
Italy 10½ 14 £	400	116¾	117¼		8.72
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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	24	48	8
Other Fixed Interest	4	0	11
Commercial, Industrial	322	206	887
Financial & Property	241	58	509
Oil & Gas	14	16	52
Plantations	1	0	7
Mines	18	57	59
Others	22	31	73
Totals	646	416	1,606

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
†150	P.P.	-	181	150	British Telecom (P/Paid)	178½	-1½	N15.6	1.4	4.4	20.7
120	F.P.	-	148	131	Business Post	143		12.9	2.5	2.5	20.0
100	F.P.	-	117	19	Celsis Intl.	102		-	-	-	-
225	F.P.	-	210	184	Court Cavendish	188	-1	W3.6	2.8	2.4	12.7
-	F.P.	-	16½	6½	Creston Warrants	6½	-½	-	-	-	-
170	F.P.	-	200	191	Devro Intl	197	-1	W5.5	1.9	3.5	18.7
100	F.P.	-	97	94	Dunedin Japan Inv	96½	+1	-	-	-	-
-	F.P.	-	50	38	Do Warrants	50		-	-	-	-
-	F.P.	-	108	97	Eaglet Inv Trust	99		-	-	-	-
-	F.P.	-	45	39	Do Warrants	45		-	-	-	-
110	F.P.	-	120	113	Enviromed	115		-	-	-	49.4
-	F.P.	-	22	11	Eurotunnel Wts 1993	20½	+½	-	-	-	-
250	F.P.	-	290	276	Field Group	285	+1	RW6.4	2.0	2.8	22.6
210	F.P.	-	264	233	Fine Decor	264		u7.5	1.7	3.6	20.3
-	F.P.	-	150	149	Finsbury Smllr. Co's. C	150		-	-	-	-
85	F.P.	-	79	75	Flying Flowers	76		RQ1.3	3.2	1.7	17.2
-	F.P.	-	108	94	Govett Emrg Mkts	106		-	-	-	-
-	F.P.	-	52	44	Do Warrants	49		-	-	-	-
100	F.P.	-	112	100	Johnson Fry Utilities	111½	+½	AI7.2	-	8.1	-
-	F.P.	-	103¼	101	Do Zero Pf	103¼	+1	-	-	-	-
-	F.P.	-	265	250	Kerry Grp A	265		Q30.1%	7.9	1.2	14.5
100	F.P.	-	103	94	Kleinwort Emrg Mkts	103	+2	-	-	-	-
-	F.P.	-	63	55	Do Warrants	63	+1	-	-	-	-
-	F.P.	-	61	52	Martin Currie Pac Wts	61		-	-	-	-
100	F.P.	-	108	93½	Perpetual Japan Inv	107		-	-	-	-
-	F.P.	-	52	37	Do Warrants	52	+1	-	-	-	-
130	F.P.	-	148	140	Policy Portfolio	145		u8.0	1.5	5.2	14.7
123	F.P.	-	130	127	Quadramatic	128		ANW4.5	2.2	4.4	13.2
-	F.P.	-	23	18	Raglan Warrants	23		-	-	-	-
-	F.P.	-	102	101	Second HGSC	101		-	-	-	-
250	F.P.	-	289	285	Shirefink Inv Servs	288		W7.5	1.8	3.3	20.8

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
60	Nil	6/8	3pm	¼pm	Alexon	¼pm	
5	Nil	25/8	¼pm	¼pm	Alliance Res.	¼pm	
40	Nil	13/9	5pm	2½pm	Bardon	2½pm	-1½
135	Nil	3/9	28pm	14pm	Birkby	28pm	
10	Nil	20/8	4¼pm	2½pm	Britton	4¼pm	
500	Nil	6/9	100pm	80pm	Clyde Blowers	98pm	
127	Nil	13/9	20pm	20pm	Headlam	20pm	
19	Nil	8/9	3pm	1¼pm	Marling	2¼pm	
5	Nil	9/8	1½pm	¼pm	Premier Land	¼pm	
120	Nil	16/8	35pm	28pm	Rubicon	33pm	
275	Nil	17/9	26pm	19pm	Sidlaw	19pm	
210	Nil	1/9	55pm	41pm	Smith New Court	55pm	+3

pm Price at a premium. † Price offered to public. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings July 26
- Last Dealings Aug. 6
- Last Declarations Oct. 28
- For settlement Nov. 8

3-month call rate indications are shown in Saturday editions.

Calls: Brit. Thornton, Essex Furniture, Excalibur, Ferranti, LIT Prf., Maddox, Premier Land and Shoprite. Puts: Blenheim, Essex Furniture and Kleeneze. Puts & Calls: Ferranti and LIT Prf.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

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August 4 Total Contracts 49,662
Calls 27,531 Puts 22,131
FT-SE Index Calls 1,562 Puts 4,031
Euro FT-SE Calls 2,448 Puts 6,295
*Underlying security price †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Aug 4	Day's change %	Tue Aug 3	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.37	-0.07	128.46	1.31	7.35
2	5-15 years (23)	152.40	+0.02	152.36	1.57	8.42
3	Over 15 years (9)	168.02	+0.08	168.02	1.52	7.32
4	Irredeemables (6)	194.31	-0.07	194.45	2.61	7.35
5	All stocks (63)	148.13		148.15	1.49	7.94
	Index-Linked					
6	Up to 5 years (2)	187.18	-0.03	187.24	1.83	1.92
7	Over 5 years (11)	179.33		179.34	0.62	3.20
8	All stocks (13)	179.29	-0.01	179.31	0.73	3.05
9	Debs & Loans (65)	138.12	+0.20	137.85	2.83	6.05

AVERAGE GROSS REDEMPTION YIELDS

			Wed Aug 4	Tue Aug 3	Year ago (approx.)
	British Government				
1	Low	5 years	6.57	6.53	8.69
2	Coupons	15 years	7.52	7.52	8.93
3	(0%-7¾%)	20 years	7.67	7.67	8.93
4	Medium	5 years	6.70	6.67	9.56
5	Coupons	15 years	7.66	7.67	9.13
6	(8%-10¾%)	20 years	7.75	7.76	9.05
7	High	5 years	6.91	6.88	9.77
8	Coupons	15 years	7.88	7.89	9.34
9	(11%-)	20 years	7.90	7.92	9.23
10	Irredeemables(Flat Yield)		7.81	7.81	9.18
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.76	2.74	4.41
12	Inflation rate 5%	Over 5 yrs.	3.36	3.35	4.57
13	Inflation rate 10%	Up to 5 yrs.	2.00	1.98	3.63
14	Inflation rate 10%	Over 5 yrs.	3.18	3.18	4.39
15	Debs &	5 years	8.15	8.17	10.65
16	Loans	15 years	8.57	8.59	10.45
17		25 years	8.74	8.76	10.32

Glynwed improves 19% to £18.3m

By Paul Cheeseright, Midlands Correspondent

GLYNWED International, the metals and plastics processing group, achieved a sharp improvement in first half profits but warned that "it could well be the final quarter of the year, at the earliest, before the group sees any significant benefit from recovery."

Pre-tax profits for the six months to end-June rose by some 19 per cent to £18.3m (£15.4m), the fourth consecutive half of improved results since the group reached the bottom of its own economic cycle in 1991.

However, Mr Gareth Davies, chairman, noted that the profits increase came not from any increase in economic activity but from cost reductions and the winning of larger market shares.

"We've developed our own recovery irrespective of the depressed conditions around," he said.

Earnings per share rose from a restated 3.84p to 5.73p.

The interim dividend is maintained at 4.15p but, unlike the last interim, this distribution is covered.

Total payments for 1992 amounted to 11.65p.

Mr Davies said Glynwed's markets were unsettled, raising "the prospect, once again, of delay in achieving the considerable potential improvement in profitability which any increase in activity would generate from the yet lower cost base of the group."

Turnover in the first half rose from £460.4m to £476.1m but the division of operating profits was uneven.

Those of the consumer products division improved, helped by increasing demand for Aga and Rayburn stoves.

Operating profits improved in the steels and engineering division as a greater concentration on exports paid off.

However, in other divisions the position was less favourable.

Foundry products continued to be hurt by lack of demand from the depressed construction industry, metal services suffered from weak aluminium prices while plastics had problems with lower demand from gas and water utilities.

Plastics remains the focal point of Glynwed's investment programme. About half of this year's planned capital expenditure of £25m will be concentrated on this division.

● COMMENT

Glynwed has taken all the orthodox steps to increase productivity – turnover per employee is at levels last seen in 1989 when there were 2,600 more people on the payroll than the current workforce of 11,100. The stock market once deemed its 65 per cent sales dependence on the UK market as a weakness. But not any longer; it is now a recovery stock. The trouble is that Glynwed does not yet see the recovery that some believe is under way. It only sees that things are not as bad as they were. That holds back profit growth. Still, there remains the prospect of 1993 pre-tax profits at £45m, producing earnings per share of over 14p. That puts the shares, at yesterday's close of 305p, on a prospective p/e of 21.2, suggesting that buyers looking for recovery stocks have already made their purchase.

United Breweries reduces deficit to £189,000

By Catherine Milton

UNITED Breweries, the regional brewer and pubs operator, is believed to be considering a capital restructuring for the second time in nine months.

It yesterday reported pre-tax losses down from £283,607 to £189,376 in the six months to May 31.

The board, which does not propose to pay an interim dividend, has not yet examined the restructuring proposal, which might allow a payment sooner rather than later.

The restructuring would involve writing off a negative profit and loss reserve of about £3m against a share premium reserve of just over £6m, and requires the approval of the High Court.

Since last November the ailing Wiltshire brewery has been managed by the UB Group of India, the sub-continent's largest brewer and distiller. It forms part of UB's assault on the UK drinks distribution market.

Mr Vijay Mallya, head of the UB Group, and his family have a 15.5 per cent stake in the USM-quoted company.

Turnover for the half year improved to £2.09m (£1.33m) reflecting the acquisition of 37 pubs at the end of last year. Operating margins rose to 9.44 per cent (4.49 per cent).

Mr Mallya said he had not anticipated the length of the UK recession: "We are not magicians."

The small Stourbridge-based brewery, producing existing brands at near full capacity, made a small contribution to profits but represented less than 1 per cent of the group's assets.

Mr Mallya said United Breweries made a nominal profit in May and was likely to be profitable in the second half, but this might not translate into a full year pre-tax profit.

UB Group has granted United Breweries sole distribution rights across the European Community of four spirits brands which it plans to launch later this year. It is introducing its UK-brewed Kingfisher beer into some of its 77-pub estate, which is being refurbished.

Draught Kingfisher has been excluded from a distribution joint venture with Kent-based Shepherd Neame, which brews the brand in the UK under licence. Bottled beer will continue to be distributed to Indian restaurants and off-licences by the joint venture.

Interest charges rose to £386,320 (£343,511). Debt of £8m gives gearing of 100 per cent, down from 350 per cent. Losses per share were 0.48p, down from 4.97p.

The company raised £6.9m in a placing and open offer in December as part of a capital restructuring, and spent £8m on 37 pubs.

Linton to take rest of Assoc Fisheries

By Paul Taylor

LINTON PARK, the diversified tea and coffee producer and food trader, plans to take full control of Associated Fisheries, its 75.1 per cent quoted subsidiary, through a merger under a scheme of arrangement which values the fishing, food processing and transport group at about £21m.

The ultimate parent of both companies is Camellia, a quoted investment company with interests ranging from fine art to tea plantations, which holds a 68.2 per cent interest in Linton through the Lawrie Group.

Linton said it was offering one of its own shares and 70p cash for every two shares in Associated Fisheries in an agreed deal which values the company's shares at 135p each compared with 124p at Tuesday's close.

In their joint announcement the two companies said the terms of the merger represented increases of 9.3 per cent in capital value and 15 per cent in income for Fisheries' ordinary shareholders.

The merger has been approved by Fisheries' independent directors.

Linton has been a shareholder in the company for 20 years and acquired a controlling interest in 1987. As a result the companies said they had become "increasingly close in the pursuance of mutual commercial interests."

Among other reasons given for the merger the boards of the two companies said the deal would provide the opportunity for cost savings and give Fisheries' minority shareholders the opportunity to participate in a group with wider product and geographic diversity.

The directors argued this would enable Fisheries' shareholders to benefit from more broadly based earnings which would be less reliant on the results of one main division.

In 1992 Linton reported pre-tax profits of £7.66m compared with a £1.16m restated loss.

Associated Fisheries yesterday also reported a 35 per cent increase in interim pre-tax profits to £1.8m (£1.33m) for the six months to June 30.

Earnings per share rose to from 5.53p to 7.98p and the interim dividend is lifted to 1.25p (1p).

Turnover increased to £42.4m (£40.2m).

Hodder Headline cuts 72 jobs under reorganisation

By Raymond Snoddy

HODDER HEADLINE, the independent publishing company, has made 72 members of its UK staff redundant under a reorganisation following the takeover of Hodder & Stoughton by Headline in June.

Further redundancies and a relocation will follow next spring when Hodder's old distribution centre near Sevenoaks in Kent is closed.

About 150 employees there will be affected.

Headline's existing distribution company, Bookpoint in Abingdon, Berkshire, will be expanded and an extra 70 people will be taken on.

Mr Tim Hely Hutchinson, group chief executive, said yesterday he expected a net reduction in UK staff of 152 people.

"The great majority of these redundancies relate to the group's administrative functions. The commissioning editorial teams are virtually unaffected and there will be additional recruitment on the creative side of the business."

Because of redundancy and reorganisation costs a loss is possible this year, but the company is then expected to perform strongly.

Mr Hely Hutchinson, who founded Headline, said yesterday the backlist of the 125-year old Hodder & Stoughton had turned out to be stronger than expected.

Acsis seeks shareholder approval for refinancing

By Maggie Urry

ACSIS GROUP, the nursing management company, is asking shareholders to support a refinancing of its £12.6m debts so that it can continue trading. It has broken covenants and repayment commitments on its loans and had a deficit on reserves of £49.6m at the end of 1992.

The group, which yesterday announced a reduced pre-tax loss of £9.28m (£21.7m) for 1992, had its shares suspended at 1½p on June 28. It has undergone significant changes in its activities and management in recent years and agreed a £2m refinancing in 1991.

Acsis owes Midland Bank £12.1m and other secured bank debts total £500,000. It also owes £867,500 to the vendors of NMS, a US nursing company now its main trading arm, which includes Mr Ephraim Barsam, Acsis' chairman. Mr Barsam said Acsis intends to concentrate on the health care market and will change its name to Premier Health.

The refinancing proposals involve the issue of 265.2m shares, 91.7 per cent of the enlarged capital. Existing shareholders will be offered 44m new shares at 1p each and there will be a 12 into 1 consolidation.

Under the proposals, Midland's loan will be cut to £3.1m, but will bear no interest initially, and the bank will hold 5.3 per cent of the increased share capital. The NMS vendors will hold up to 33.4 per cent of the shares, and Foreign and Colonial Enterprise Trust will subscribe £434,000 for a 15 per cent stake.

A capital reduction will cut the deficit on the profit and loss account so that Acsis can return to the dividend list.

STC Submarine Systems in transatlantic cable deal

By Andrew Adonis

STC SUBMARINE Systems, the UK-based subsidiary of Northern Telecom which is about to be sold to Alcatel of France, has won a £100m contract for a new transatlantic cable system.

The contract, one of STC's largest, is the first transatlantic order for a cable applying STC's new optical amplification technology, which provides significantly greater capacity than existing systems.

It has been bought by a consortium comprising British Telecommunications, France Telecom and AT&T of the US.

Called Tat-12, the system will consist of 4,000km of cable and 85 undersea optical amplifiers for the link from Greenhill, Rhode Island, to Land's End in the UK. It is due to be in service by 1995.

The contract underlines the earnings capacity of STC, which Northern Telecom, the Canadian supplier, last month sold to Alcatel for £600m, subject to the granting of EC and UK regulatory consents.

Time for a new look

Neil Buckley reports on how the DIY chains are fighting to survive in a changed environment

THE BRITISH are the biggest DIY enthusiasts in Europe, according to a recent survey. A quarter of Britons would choose to spend any spare cash on improving their homes, compared with only 5 per cent in Spain.

As the recession has dragged on, however, even the British seem to have lost their appetite for putting up shelves and grouting bathrooms. Boots has recently been fending off rumours that it planned to close half of Do It All, its DIY joint venture with WH Smith, after revealing it was its only division to have suffered a fall in sales (of 7.2 per cent) in the three months to June 30.

Sir Christopher Benson, chairman, told Boots' annual meeting the DIY market remained severely depressed.

A month earlier, Mr Cyril Stein, chairman of Ladbroke, warned shareholders that recent trading at its Texas DIY chain had been disappointing. Two managers have left the chain in recent weeks.

After enjoying double-digit annual profits growth in the late 1980s, through rapid expansion and nudging gross margins up from about 30 per cent to 34.5 per cent, the DIY chains have had a difficult 18 months. A damaging price war broke out in late 1991 and flared up at intervals throughout 1992.

B&Q, market leader with 13 per cent, saw operating profits fall from £90m to £81m in 1992. Profits at Texas, which has an 8 per cent share, fell from £47.5m to £43.5m, while Do It All (6 per cent) saw a £6m profit transformed into a £14.4m loss.

Now, with more than 1,000 DIY superstores in the UK – more than the number of food superstores – but with the housing market unlikely to return to the levels of activity of the late 1980s, retail analysts warn the outlook for the £8.5bn DIY market is tough.

"The DIY chains have still got a long way to go, but they have got to get used to operating in a much more sober environment," says Mr Richard Hyman, chairman of Verdict, the retailing research group.

The first attempt to come to terms with that new environment – the price war – proved a costly mistake. Verdict believes it cost the chains £45m, partly in extra advertising costs, but mainly through lost sales revenues.

Increases in sales volumes did not match expectations and could not compensate for the lower margins. Moreover, stores found it difficult to cope with the number of customers attracted by their promotions.

Shoppers may have been alienated by the poor service, the fact that many items were out of stock and by a suspicion that if the stores could offer such low prices some of the time they must be overcharging the rest of the time.

Alan Harper

Looking for bargains: the recession has affected the DIY market

The chains are now starting to believe that the key to survival is to offer permanently competitive prices, and to develop their own unique identity and product offer.

B&Q has abandoned sporadic deep discounting in favour of "everyday low prices", in line with the belief of Sir Geoffrey Mulcahy, chairman of parent group Kingfisher, that the way to make money in the 1990s is not through pushing up gross margins, but through sensible trimming of margins with the aim of shifting larger volumes.

Kingfisher is also expanding its new Depot format: large superstores of 80,000 sq ft or more, designed to appeal to the serious DIY enthusiast and trade buyers. It is likely to have 30 Depot stores by the end of this year.

"Kingfisher has adopted a two-pronged approach which will make life very tough for everyone else," says Ms Kimlan Cook, stores analyst at NatWest Securities.

NatWest Securities forecasts that 20 Depot openings a year could double Kingfisher's DIY sales to £2bn by 1997-98.

Smaller chains such as Wickes and Sainsbury's Homebase are best placed to withstand the Kingfisher threat as they have developed strong niche markets. Wickes is a highly focused specialist, concentrating on repair, maintenance and home improvement, with a strong own brand, and appealing to DIY enthusiasts and the trade. Homebase, meanwhile, is stronger in gardening, home furnishings and decoration, with concessions such as Laura Ashley.

Texas is thought likely to suffer. It has no answer to Depot and has not yet moved to everyday low prices. Its recent 21st anniversary offer of 21 per cent price reductions showed it is still prepared to resort to deep discounting. But some observers believe Texas, too, is differentiating itself by concentrating more on the home adornment market.

The sick man of the sector remains Do It All, formed from the merger of Boots' Payless and WH Smith's Do It All in 1990 – just as the housing market slumped. Saddled with some old stores in poor locations, it did not have time to establish a coherent trading formula before it was hit by the price war. Boots says it still believes it can turn the chain round by introducing a new store format which groups products together according to different DIY projects, developing its brand identity and offering better service and information to customers.

Some stores analysts, however, believe Boots will have to reconsider the chain's position in the market if it does not show a substantial improvement in the next few months.

One final threat looms over the sector: the possible arrival of large-format competitors from overseas, such as Home Depot of the US, of which Kingfisher's Depot remains a pale imitation. As one analyst put it: "If some of the big US operators come over here they could make even the best UK chains look like amateurs."

CT may take legal advice on payments

By Peggy Hollinger

CELLULAR Telecom Holdings may take independent legal advice over a deferred consideration due to shareholders linked to Mr Clive Smith. The Midlands entrepreneur's family owns 19 per cent of the mobile communications company.

Mr Edward Clucas, chairman, said he was considering the step following questions from shareholders at yesterday's annual meeting over the deferred share payment.

CT is the child of a reverse takeover in 1990 by the then quoted company, Image Store.

Image Store acquired CT for £3.74m in shares, plus deferred performance-related payments, from Mr Smith's family interests, Mr Robert Pollock, a former CT director, and Mr Clucas, former financial adviser to Mr Smith.

Companies which have been linked to Mr Smith are under investigation by the Serious Fraud Office. Mr Pollock resigned from CT in June following publicity over the collapse of Alpine Double Glazing, where he was chairman.

Shareholders also questioned CT on its plans. Mr Clucas said he remained "reasonably confident" about prospects. It is understood CT is aiming for a flotation in the next two years.

The meeting heard that CT had returned pre-tax profits of £516,760 for the year to September 30, against a £369,070 loss in the previous 18 months.

The profit was struck after lower administrative expenses, eased by a drop in the depreciation of intangible assets from £320,272 to £16,949. The return was also helped by the absence of last year's £876,083 provision for bad debts. Turnover was £7.1m (£11.5m).

The company did not purchase any new cellular telephones during the year.

BOARD MEETINGS

TODAY

Interims- Anglo & Overseas Trust, Barclays, British Alcan Aluminium, Cowie (T), Jacobs (John I), Kleinwort Benson, Paribas French Inv Trust, Reed Intl, Rotork, TI, Transport Development.

Finals- Abbey, Crown Eyeglass.

FUTURE DATES

Interims-

American Trust	Sep. 2
Beattie (James)	Sep. 10
Bostrom	Aug. 26
Christies Intl	Sep. 9
Clarke (T)	Aug. 19
Copymore	Aug. 22
Courtaulds Textiles	Sep. 1
BFM Income Trust	Sep. 6
Guardian Royal Exchange	Aug. 25
Hambro Countryside	Aug. 25
Jourdan (T)	Aug. 20
Kalon	Aug. 17
Kleinwort Overseas Inv	Aug. 11
Macfarlane	Aug. 31
North Midland Construct'n	Aug. 18
Northern Engineering	Sep. 2
Rolls-Royce	Sep. 2
Slough Estates	Aug. 25
Waterford Wedgwood	Sep. 1
Finals-	
CESC	Aug. 6
Haynes Publishing	Sep. 8
Mosaic Inv	Aug. 12

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Assoc Fisheries ......int	1.25	Oct 1	1	-	8
Beales Hunter ......fin	6.95	Oct 1	6.95	9.4	9.25
Chieftain § ......int	1.5	Oct 8	2.1	-	5.1
GKN ......int	8	Nov 3	8	-	20.5
Glynwed Intl ......int	4.15	Dec 8	4.15	-	11.65
In Shops ......fin	2.09	Oct 5	1.97	2.75	2.68
Malvern UK Index......int	1.7	Sept 23	1.7	-	3.77
McKay Securities......fin	3.5	Oct 8	3.5	3.5	6.7
Williamson Tea ......fin	12.5	Oct 5	10	22.5	20

Dividends shown pence per share net except where otherwise stated. §USM stock.

COMPANY NEWS: UK

In Shops buys discount chain for £8m

By Neil Buckley

IN SHOPS, the Birmingham-based property group, is expanding its retail business by acquiring the Milbank Foods chain for £8.15m, but is seeking a buyer for its Executive Centres serviced offices subsidiary.

The company also announced reduced pre-tax profits of £2m (£2.8m) for the year to March 31, on increased turnover of £26m (£24.3m). The decline in profits reflected increased losses at Executive Centres, from £200,000 to £650,000.

The final dividend is lifted to 2.09p, making a total of 2.75p (2.63p). Mr Tim Brookes, chairman, said the increase reflected confidence in the potential of the enlarged group.

The acquisition is to be financed with a placing and open offer of 14.05m shares at 58p each.

In Shops operates shopping centres of about 40,000 sq ft, divided into small units licensed for 12-month periods to retailers. It has forged links with discounters such as Kwik Save, Netto and Iceland, after discovering that the presence of such an outlet could attract more customers to its centres.

Milbank has 25 discount stores in north-east England, trading as Job Lot. They differ from conventional discounters by selling end-of-line and short-dated goods, often rejected by other grocery chains.

They usually carry fewer than 1,000 product lines exclusively in the areas of branded frozen foods, dry groceries and toiletries, with no fresh foods.

Mr Brookes said: "Job Lot doesn't aim to compete directly with supermarkets – it doesn't even sell milk, butter or bread – but many shoppers go there first to see what bargains they can pick up and then complete their shopping elsewhere."

Milbank's profits have almost doubled from £752,000 to £1.45m in the past three years, with turnover up from £15m to £19.1m.

In Shops hopes that the presence of Job Lot outlets in its centres will attract more shoppers, thereby stimulating demand for space. Its vacant space has increased from 14.5 per cent to 17.5 per cent in the last year.

Mr Brookes said the Executive Centres operation had been hit by the "decimation of the financial services industry" and a general over-supply of office space which led to a fall in occupancy levels in its centres.

A £5.5m provision has been made for loss on the disposal, including £4m of goodwill previously written off to reserves.

McKay hit by interest and refinancing charges

MCKAY Securities, the property investor and developer, reported a fall in pre-tax profits from £3.17m to £1.77m for the year to end-March.

Shares in the company, which last month agreed new financing arrangements with its banks, rose 5p to 130p.

The outcome was struck after a higher interest charge of £3.89m (£3.3m) and was further depressed by £686,000 of refinancing costs and the effect of not capitalising development outgoings (last year £701,000 was capitalised).

Earnings per share were 5.3p (10.4p). The interim dividend having been passed, the proposed final of 3.5p is the sole distribution for the year – last year's total was 6.7p.

Since the year end a supermarket in Brighton and two flats in south-west London had been sold at prices above book value, directors said.

In addition, part of the office development at Staines, Surrey, and the shopping development at Aldershot, Hampshire, had been let.

ECC completes Amps redemption

English China Clays has redeemed the last $50m (£33.5m) of its auction market preference shares.

The group redeemed $850m of Amps last year following a £209m rights issue in February 1992. In June this year it raised another £113.4m through a second rights issue and said it would redeem the remaining Amps.

ECC was one of the first UK companies to issue the securities, which are counted as equity, although having some characteristics of debt. Sentiment has turned against the securities, though, and the group has joined some other issuers in redeeming them.

Williamson Tea advances 68%

Firmer tea prices, reflecting the shortfall of world crops, helped Williamson Tea raise annual profits by 68 per cent to £6.22m.

The advance from last time's £3.71m for the 12 months to March 31 came on turnover ahead to £34m (£30.9m).

The group, which produces tea in India, Kenya and Tanzania, said the outcome was also buoyed by a "greatly increased" contribution from its Indian associate.

The final dividend goes up to 12.5p, making 22.5p (20p) for the year, covered 4.9 times by earnings of 109.74p (37.78p) per share.

PUBLIC WORKS LOAN BOARD RATES

Effective August 3

	Quota loans*		
Years	EPI†	ANI††	At maturity§
1			5⅝
Over 1 up to 2	5⅝	5¾	6
Over 2 up to 3	5⅞	6	6⅛
Over 3 up to 4	6⅛	6¼	6⅜
Over 4 up to 5	6¼	6⅜	7⅛
Over 5 up to 6	6½	6½	7⅜
Over 6 up to 7	6⅝	6¾	7⅝
Over 7 up to 8	6⅞	7	7⅞
Over 8 up to 9	7	7⅛	8
Over 9 up to 10	7⅛	7⅜	8⅛
Over 10 up to 15	7⅜	8⅛	8½
Over 15 up to 25	8⅜	8½	8⅝
Over 25	8⅜	8⅝	8¾

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

PROPOSED UNBUNDLING OF GENCOR'S NON-MINING INTERESTS

GENCOR

1. INTRODUCTION

On 11 May 1993, the Gencor board announced that it would recommend to shareholders that certain of its listed strategic non-mining interests be unbundled. In terms of these recommendations, the ordinary shareholders of Gencor would receive their pro-rata entitlements to shares in Engen Limited ("Engen"), Genbel Investments Limited ("Genbel"), Malhold Limited ("Malhold")and Sappi Limited ("Sappi") (collectively "the affected shares") by means of a dividend *in specie* ("the unbundling").

2. RATIONALE FOR THE UNBUNDLING

Unbundling will provide ordinary shareholders with the ability to adjust portfolios between a number of focused companies which should result in significant benefits to them over the longer term. Enhanced focus should also increase the ability of the individual companies to develop local and international opportunities in their respective industries. The elimination of a portion of the discount that commonly exists between Gencor's market capitalisation and its net assets (at valuation) is also anticipated.

3. ACTIONS TO MINIMISE DIMINUTION OF ASSET VALUE

The same announcement stated that a major objective would be to minimise the diminution of Gencor's asset value. This objective was addressed as follows:

3.1 Transaction with Genbel

On 14 July 1993 the board announced that Gencor had reached agreement to acquire a number of important strategic interests from Genbel. These comprise all of Genbel's offshore interests, being shares in TransAtlantic Holdings PLC, cash and exploration ventures in Turkey, as well as shares in Kinross Mines Limited, Impala Platinum Holdings Limited, Samancor Limited, Trans-Natal Coal Corporation Limited and Winkelhaak Mines Limited. These were acquired in exchange, inter-alia, for 8 946 813 shares in Engen and 12 391 699 shares in Sappi, then valued at approximately R762 million, which would otherwise have constituted part of the unbundling. This exchange is subject to the approval of Genbel shareholders in a general meeting to be held on 6 August 1993.

3.2 Retention of Investment in Malbak Limited ("Malbak")

The directors of Gencor have decided that the company should retain further assets over and above the portfolio of mining and commodity based assets which will comprise the assets of the company after the unbundling. Gencor will therefore retain its direct interest in Malbak (with a current market value of approximately R900 million), and distribute only its investment in Malhold. Taking account of the funding requirements of Gencor's projects, and the fact that the company currently has liquid resources totalling approximately R1 600 million, there are no plans to dispose of any portion of the investment in Malbak.

As a result of the above the value of Gencor after unbundling will, based on the current market prices of its underlying investments, be approximately R1,6 billion more than would otherwise have been the case, with net assets totalling approximately R14,1 billion.

4. PARTICULARS OF THE UNBUNDLING

Subject to the approval of the unbundling recommendations by shareholders in general meeting, Gencor will distribute the affected shares to its ordinary shareholders, registered in the company's registers of members on the unbundling record date as per paragraph 5, by way of a dividend *in specie*. The number of each of the affected shares to be distributed is as follows:

77 071 079 ordinary shares in Engen;
216 022 150 ordinary shares in Genbel;
20 988 577 ordinary shares in Malhold*; and
54 795 848 ordinary shares in Sappi.

* *Immediately following the Gencor unbundling, Malhold will, subject to its shareholders' approval and such other approvals as may be required, be unbundled by the distribution to its ordinary shareholders of its holding in Malbak by way of a distribution* in specie. *Gencor has agreed, subject to the implementation of the Malhold unbundling, to act as an agent in respect of the distribution to Gencor ordinary shareholders of Malbak ordinary shares arising from the Malhold unbundling. Accordingly, Gencor ordinary shareholders will receive a total of 59 141 612 Malbak ordinary shares in lieu of their entitlement to Malhold ordinary shares, on the basis of 2,8178 Malbak ordinary shares for each Malhold ordinary share to which they are entitled as a result of the unbundling.*

Gencor ordinary shareholders' entitlements to affected shares will be calculated on a *pro rata* basis in accordance with the ratio that the number of ordinary shares held by them bears to the total number of ordinary shares in issue being 1 376 125 873 shares, rounded down to the nearest one ten-thousandth of an affected share.

The unbundling will accordingly result in each of the ordinary shareholders receiving, for every 100 Gencor ordinary registered or bearer shares held on the unbundling record date, approximately:

5,6006 ordinary shares in Engen;
15,6978 ordinary shares in Genbel;
4,2977 ordinary shares in Malbak; and
3,9819 ordinary shares in Sappi.

If, for whatever reason, the Malhold unbundling is not implemented, ordinary shareholders will receive approximately 1,5252 Malhold ordinary shares for every 100 Gencor ordinary registered or bearer shares, instead of the Malbak ordinary shares as mentioned above.

Fractional entitlements to the affected shares will be aggregated, sold and the cash proceeds, net of costs, remitted to the ordinary shareholders concerned.

5. UNBUNDLING RECORD DATE

The last day to register ("LDR") in order to receive the affected shares in terms of the unbundling is Friday, 5 November 1993, or such other date as may be determined by the directors of Gencor.

6. IMPLICATIONS FOR 1993 FINANCIAL YEAR AND CHANGE IN YEAR-END

The proposed LDR will enable Gencor to report its income for the financial year ending 31 August 1993, particularly as regards the earnings and dividends related to the affected shares, on a basis which is consistent with that used in previous years. Furthermore, in the determination of the final dividend for the 1993 financial year, the directors of Gencor intend applying criteria which are consistent with those applied in previous years.

Gencor's first financial period after the unbundling will, subject to the Registrar of Companies' approval of a change in year-end to 30 June, be the 10 month period commencing on 1 September 1993, and ending on 30 June 1994.

7. FINANCIAL EFFECTS ON GENCOR

The unaudited pro-forma financial effects of the unbundling on Gencor's consolidated income for the financial year ended 31 August 1992 and on its consolidated net assets (at valuation) as at that date as well as on 30 July 1993, are summarised as follows:

	Notes	Before unbundling		After unbundling		Change
		(Rm)	Per ordinary share (cents)	(Rm)	Per ordinary share (cents)	%
Year ended 31 August 1992						
Earnings	1	1 261	98,8	599	46,9	(52,5)
Cash earnings	1	765	60,0	455	35,6	(40,5)
Net assets (at valuation)	2	18 446	1 341	11 287	820	(38,8)
As at 30 July 1993						
Net assets (at valuation)		20 998	1 526	14 143	1 028	(32,6)

Notes

1. *The figures for earnings and cash earnings after the unbundling have been calculated on the assumption that the same number of affected shares being unbundled had been distributed at the commencement of the financial year ended 31 August 1992. To the extent that the actual holdings in such shares during this period exceeded the numbers being unbundled, only dividend income has been accounted for on the related excess.*
2. *The figure for net assets (at valuation) after the unbundling has been calculated on the assumption that the unbundling of the affected shares had been effective on 31 August 1992. Actual affected shareholdings which were, on that date, in excess of the number of affected shares being unbundled, have been accounted for as part of Gencor's investment portfolio.*
3. *The effects of unbundling on earnings and net assets for 1992 exclude any effects of the transaction with Genbel referred to in 3.1. This transaction would not have had a material effect on earnings if it had been effective throughout the 1992 financial year, or on asset value had it been effective on 31 August 1992.*

8. FINANCIAL EFFECTS ON ORDINARY SHAREHOLDERS

The table below illustrates the effect of unbundling on the composition and value of the underlying investments of a holder of 1 000 ordinary shares in Gencor prior to unbundling.

Investment	No. of ordinary shares	Market value as at 30 July 1993		Percent of total
		cps	Rand	%
Before unbundling				
Gencor	1 000	1 165	11 650	100,0
After unbundling				
Engen	56	4 000	2 240	19,2
Genbel	156	665	1 037	8,9
Malbak§	42	1 475	619	5,3
Sappi	39	2 750	1 073	9,2
Cash in lieu of fractions			44	0,4
			5 013	43,0
Gencor (value of residue as reflected in current Gencor market price)	1 000	664*	6 637	57,0
			11 650	100,0
Net assets (at valuation) of residual Gencor	1 000	1 028	10 280	

* *The actual market value will depend on the price at which Gencor trades after its unbundling has taken place.*

§ *It is assumed that Malhold will unbundle and therefore Gencor ordinary shareholders will receive Malbak ordinary shares in lieu of their Malhold entitlement.*

Dividends on affected company shares will, after unbundling, accrue directly to ordinary shareholders, as will the Gencor dividends that will reflect its lower income base.

9. TAXATION CONSIDERATIONS

In terms of section 60 of the South African Income Tax Act, 1993:

- the share distribution by Gencor will not be deemed to be
  - a dividend for the purposes of attracting secondary tax on companies and non-resident shareholders' tax;

    or
  - an amount derived by a long term insurer from the investment of funds as envisaged by section 28(1)(b) of the South African Income Tax Act, 1962 (Act No. 58 of 1962), as amended;
- shareholders on the South African section of the register of members will be exempted from stamp duty upon the registration of shares received by way of the unbundling; and
- Gencor shares held as trading stock will be subject to the specific provisions set out in the aforementioned section 60.

10. PROPOSED OFFERS IN RESPECT OF ODD-LOTS ACCRUING TO SOUTH AFRICAN RESIDENTS

Genbel will, other than in respect of its own ordinary shares, make an offer to ordinary shareholders resident in South Africa, registered as such on the unbundling record date, to facilitate the rounding to whole multiples of 100 affected shares of any such shareholders' odd-lots. As regards Genbel's own ordinary shares, Sankorp will make such an offer. These offers will open approximately one week after the LDR for Gencor ordinary shareholders to participate in the unbundling. The terms and further details of the odd-lot offers will be published on or about Friday, 12 November 1993.

11. PROPOSED SANKORP BEPERK ("SANKORP") FACILITY FOR NON-RESIDENT ORDINARY SHAREHOLDERS

Gencor has procured that Sankorp will make a facility available for non-resident ordinary shareholders. This facility will, in effect, enable such shareholders who elect to utilise it to sell their pre-unbundled Gencor ordinary shares to Sankorp, on condition that Sankorp will, according to a predetermined formula, transfer to them as consideration after the unbundling, a greater number post-unbundled Gencor ordinary shares in registered form. Further information pertaining to the facility, which will be administered by Smith New Court Corporate Finance Limited on behalf of Sankorp, will be published on or about Friday, 24 September 1993.

The rationale for the Sankorp facility is twofold. Firstly, it will enable non-resident ordinary shareholders to pursue their interests solely in Gencor. Secondly, acceptance of the share distribution by non-resident Gencor ordinary shareholders may attract unfavourable tax treatments in certain countries. The facility will afford such shareholders the flexibility of rearranging their Gencor shareholdings prior to the unbundling. However, no representation is made that all non-resident ordinary shareholders will be able or permitted to utilise the facility, or that it will be effective in assisting all or any of them as regards the abovementioned possible tax treatments.

12. CONDITIONS PRECEDENT

The unbundling, the odd-lot offers and the Sankorp facility are all subject to the fulfilment of the following conditions precedent:

12.1 the approval by shareholders of Gencor in general meeting on 31 August 1993 of the ordinary resolution to be proposed thereat for the implementation of the unbundling;

12.2 the approval by Genbel shareholders of the transactions referred to in paragraph 3.1; and

12.3 the approvals of The Johannesburg Stock Exchange, other relevant international stock exchanges, the Commissioner for Inland Revenue, and the South African Reserve Bank and such other South African and international regulatory authorities as may be required for the purposes of the aforegoing.

13. SALIENT DATES

Circular and notice of a general meeting posted	Monday, 9 August 1993
Gencor general meeting (at 09h30)	Tuesday, 31 August 1993
LDR to participate in the unbundling (unbundling record date)	Friday, 5 November 1993
Unbundling consideration posted to ordinary shareholders by	Friday, 12 November 1993

The above dates and times are subject to change and any changes will be announced in the press.

14. CIRCULAR TO SHAREHOLDERS

A circular containing full details of the unbundling and incorporating a notice of general meeting, will be posted to shareholders of Gencor on or about Monday, 9 August 1993.

Johannesburg
5 August 1993

Gencor Limited
Registration number 01/01232/06
Incorporated in the Republic of South Africa

The custodian with his feet on the ground

John Jennings, the new chairman of Shell Transport, talks to **David Lascelles** about its changing culture

JOHN JENNINGS gets a good view of the Houses of Parliament – and most of London for that matter – from his 22nd floor office in the Shell Centre on the south bank of the Thames. "It's hard not to let it go to your head," he said yesterday.

He is settling in to the chairman's office at Shell Transport and Trading, where he succeeded Sir Peter Holmes a month ago. Unlike his predecessor, who was famous for his effortless style and wide-ranging pursuits, Mr Jennings gives the impression of a man who has come up the hard way. More heavily built with a mane of white hair, he is blunter, less intellectual, though like Sir Peter he is a Shell man through and through.

He will be announcing his first set of results today when Royal Dutch Shell produces what are expected to be good interims.

Mr Jennings will say he is not content with them. "In the last few years we've become dissatisfied with our overall performance. We've become convinced that we must improve returns on shareholders' funds," he said. "We have to lift our game."

These are hard words from a company which holds a strong, even unassailable position at the top of the world oil industry, with a formidable reputation for thoroughness and excellence. But recent years have not been easy for Shell. Shell Oil, the US subsidiary, has performed badly, its Japanese associate recently lost £744m on currency speculation, and Shell's returns have not measured up to those of its main rival Exxon.

Could Shell have allowed things to go to its head?

"Complacency and arrogance are the siren voices of the successful. I'd hate to think we were complacent. But sometimes no doubt we are."

Several companies in the Shell group have costs which are too high, says Mr Jennings. "But rather than turning to Mecca and praying for higher oil prices we have to look at what we can do to help ourselves."

Shell has already announced wide-ranging job cuts and efficiency drives. "It is not just automating the past, but looking at the future in a creative way, giving more people in the organisation access to what you already know. By redesigning you can get rid of bottlenecks."

Ashley Ashwood

John Jennings: the group must maintain its view of the horizon and not stray into short termism

As well as raising performance, Mr Jennings believes that Shell must steadily work to modify its culture so that it becomes less intent on expansion and more on improving its own internal processes.

"The people in the organisation who keep the company going 24 hours a day seven days a week don't get enough recognition, but the builder of a new project at the sharp end, the glamorous end, gets all the attention. This leads to an acquisitive culture. It produces a state of mind which makes it easier to add to the portfolio than to stand back and ask: is this something we should be doing? We must be careful not to neglect what we have already got."

Mr Jennings, who has been a member of the group's managing committee since 1987, thinks he already sees signs of this cultural shift. The group structure is being shaken up.

Parts of it, like the crop protection business, are being sold off, others are being merged with other companies, like polyolefins with Ferruzzi of Italy, or metals with Gencor of South Africa. "These moves are not a cop out which say we can't manage. It's all about making our portfolio more profitable, more robust. We have to maintain our view of the horizon, not stray into short termism," says Mr Jennings.

Although Mr Jennings now occupies the chairman's offices, he stresses his limited role in Shell's complex structure where ultimate power lies in the five-member joint managing committee with Royal Dutch. "I can't say 'Now that I'm chairman things are going to be different'. I'm a member of a collective team." There are no abrupt changes of style in Shell, only a "continuum".

Where his influence will be felt strongest is in his four areas of specific responsibility.

One is for the group's business in the Asia Pacific region "an enormous and exciting area" likely to produce the strongest growth – and one where Royal Dutch has a history going back 100 years. Another is for coal and natural gas, the latter in particular a growth area in which Shell has a large position, though Mr Jennings says that gas will have to overcome the obstacle of long-distance transportation. A third is for research, and the fourth for health, safety and the environment, all of which he holds to be of "fundamental importance" to the group.

"We should be modest about the past. Through a process of selection you are put in the role of custodian. You have to look after a portfolio of assets built up over a century. To take credit for the past is wholly inappropriate."

He glances out at the view again. "You have to keep your feet firmly on the ground."

Haemocell hit by distribution hitch

By Daniel Green

SHARES IN Haemocell, the medical equipment company, fell 23p to 121p yesterday after the group dropped the exclusive worldwide distributor for its only product.

At the same time, the company estimated its loss for the current year to August 31 would be at about last year's level of £1.69m and warned that final severance terms agreed with the distributor, Stryker Corporation of Chicago, may affect the figures further.

Haemocell's product, a blood cleansing machine called S350, only received approval from the US Food and Drug Administration in October 1992. This was followed by a rights issue and a launch on the US market through Stryker.

Mr Trevor Wilson, operations director and 10 per cent shareholder, gave few details of the reasons for the cancellation of the contract because "there is a potential for litigation." He said that the severance talks with Stryker were amicable.

He acknowledged, however, that Stryker sales staff had only recently begun their effort and that targets "clearly had not been met."

Haemocell had decided to end the relationship "to make sure that there were no adverse comments" about S350. There was a danger "the product could have been compromised."

As a result of last year's cash call, the company has more than £4.4m in the bank and Mr Wilson said there was no need to ask for more.

He has already begun the search for new distributors and offers so far included one from Stryker's European operation. He said that finding a new distributor for the US, likely to be by far its most important market, would "take weeks or months".

The machine purifies blood lost by a patient during an operation so that it can be reinfused into the body a few minutes later.

The advantage is that the patient receives his or her own blood cutting down the chance of infection from blood contaminated with, for example, HIV.

Each S350 costs about £7,000, but a hospital also needs to buy replaceable filters that cost about as much as donated blood.

The heavy capital outlay by comparison with conventional blood transfusion methods has meant that there has been only limited interest from the National Health Service where capital spending is tightly controlled.

Haemocell came to market at 85p in 1988.

NEWS DIGEST

Chieftain in red after write-off

CHIEFTAIN Group, the USM-traded specialist insulation and fireproofing company, incurred an interim loss of £481,000 and yesterday reiterated its forecast of a "small" deficit for the full year.

Mr Peter Wardle, chairman, pointed out that the pre-tax loss for the six months to June 30 was struck after providing an exceptional £990,000 for two branch closures and write-off of work in progress and debtors following the appointment of receivers at Swan Hunter Shipbuilders, one of the group's main clients.

The outcome, which compared with profits of £620,000 last time, came on turnover of £7.36m (£7.63m). Mr Wardle said the order book stood at £6.5m at the period-end and had "prospects to substantially improve on this by the end of the year".

Losses per share emerged at 3.76p (earnings of 4.85p); the interim dividend is reduced from 2.1p to 1.5p.

Lazard High Income offer raises £22.7m

Lazard High Income Trust, an investment trust specialising in convertible stocks, has raised £22.7m via an offer for subscription. Together with a bank facility organised with Midland Bank, the trust will have available £32.4m, before expenses, for investment.

Dealings in the shares are expected to start on August 10.

Restructured Prior in stronger position

Prior, the property trading and investment group that has recently completed a financial restructuring, returned pre-tax profits of £347,000 for the year to March 31.

Directors said the year was devoted to negotiations and reaching agreement with the group's bankers on the capital restructure. They added that the profit arose from the release of a former provision for a guarantee in respect of a discontinued operation.

In the previous year the group, ultimately owned by Scanfrost – a company controlled by the family trust of Mr James Prior – incurred a deficit of £5.18m.

Directors pointed out that the group now had "cash in the bank, a totally ungeared position with positive cash flow, a profitable business...a nucleus of income producing properties and the possibility of substantial tax losses to be set against future profits".

Malvern UK Index assets edge higher

Malvern UK Index Trust, managed by Edinburgh Fund Managers, had a net asset value per share, excluding retained earnings, of 128.07p at June 30, up from 123.37p at the trust's December year-end.

Net revenue for the six months amounted to £974,000 (£983,000), equivalent to earnings of 2.01p (2.03p) per share.

The interim dividend is maintained at 1.7p. The directors said that earnings for the full year would be fully distributed; the final is expected to be not less than 2p.

Beales Hunter bears out forecast at £2.2m

Beales Hunter, the refrigeration and electrical components company, reported a pre-tax profit of £2.24m for the year to May 31, bearing out the profits warning made in June.

The company said then that a disappointing second half meant that the annual profit would not match the previous year's £2.3m. That figure was restated in yesterday's results at £1.86m under FRS 3.

Group sales in the 12 months rose to £47.8m (£41.7m). Earnings per share came to 16.2p (15.6p).

The final dividend is maintained at 6.95p, for a total of 9.4p (9.25p).

Three more outlets for Dixon Motors

Dixon Motors, which joined the USM earlier this year via a reversal into Plateau Mining, has entered into an agreement to lease three motor dealership outlets from Automotive and Finance.

The sites, at Dewsbury, Goole and Grimsby, will bring the group's dealerships to 11 and its franchises to 13. In addition, Dixon has secured the Toyota franchise for the Dewsbury marketing territory.

Malaya acquires Colindale Centre

In its third acquisition this year, Malaya Group, the USM-traded motor dealer, has purchased Colindale Centre, a London-based Audi Volkswagen dealership, for £900,000.

For 1992 Colindale incurred a pre-tax deficit of £132,000 after costs of £200,000. Turnover totalled £17.2m. Net assets at June 30 1993 were £509,000.

On completion of the acquisition Colindale will enter a lease agreement with the vendor, Skelly Automotive, for the property occupied by Colindale for a 25-year period at a rent of £150,000 a year.

EFT forms new contract hire division

EFT, the asset finance [illegible], is acquiring All Truck [illegible] Midlands-based truck [illegible] operator, to form a new contract hire division which will trade as Alltruck.

EFT has subscribed [illegible] in Alltruck by way of new capital and loan. The remaining 20 per cent has been subscribed in capital and loan by the new management. Total cash consideration will amount to 125 per cent of ATH's certified net asset value at August 3 1993, estimated to be £200,000.

TECHNOLOGY

US computer companies are at odds with the government over data security plans, writes **Tom Foremski**

Software's secret war

A battle over computer data security standards has erupted in the US, with private industry and the government at odds over the most effective way to protect information that flows through large networks of computers.

A group of companies led by Novell, the network software company, is attempting to set a new data security standard, while the US government is getting little industry support for its "Clipper chip" proposal for voice and data security, which was introduced in April.

The key to protecting computer networks from unauthorised access by computer hackers and spies lies in the use of data encryption technologies. Encryption also offers individuals much-needed data privacy that can protect their electronic communications and their bank accounts.

Novell says its proposal is based on a more sophisticated data encryption technology than the government's Clipper system, and is better suited to computer networks.

The company has formed a coalition consisting of 22 users and vendors to define a reliable data security system. Coalition members include Brian Gladman, senior procurement manager at the UK Ministry of Defence, and Herman Roos, a partner at accountants KPMG Peat Marwick in the Netherlands.

The government's Clipper technology is based on a secret encryption method developed by the National Security Agency and adopted by the National Institute of Standards and Technology (NIST). But there is concern within industry that the Clipper encryption technology has a secret "trapdoor" that would allow the NSA to decipher messages. The NSA denies that the trapdoor exists but will not reveal the Clipper encryption algorithm.

In June more than 50 organisations united to criticise the government's endorsement of Clipper. Members of that group included AT&T, IBM, Apple Computer, MCI and public interest groups Computer Professionals for Social Responsibility (CPSR) and the Electronic Frontier Foundation (EFF).

CPSR and the EFF say that allowing law enforcement agencies to snoop on communications violates individual privacy rights. And they complain that keeping the encryption method secret could leave systems open to attack by computer hackers who might stumble upon a way to crack the encryption algorithm.

Communications companies also say that Clipper is too slow. "We need a data security system that can keep up with high-speed networks," says Charles Hart, president of Semaphore Communications, a data security company based in Aptos, California.

Novell proposes using a system based on the IBM-developed Data Encryption Standard (DES) and the Rivest-Shamir-Adleman (RSA) encryption method, considered almost unbreakable.

The RSA encryption method relies on the product of two large prime numbers and the use of keys – special numbers to encode and decipher messages. Users have a public and private key. To send a message, the file is encrypted with the sender's private key and the recipient's public key. Only the intended recipient can decode the message.

RSA Data Security, which licenses the RSA encryption technology, claims it would take supercomputers running for hundreds of years to decode encrypted messages.

Glenn Hyatt, head of data security consultants HighGate Solutions in Wilmington, Delaware, says: "There is an important need among large corporations for a reliable data security model. Novell is the right company to co-ordinate this since their software is a de facto standard in networks."

'The government says Clipper's use will be voluntary, but if the FBI succeeds with its bill it could make Clipper's use mandatory'

Despite the protests the US government is expected to press ahead with Clipper after the proposal's review period ends in October.

Officials at the NSA and NIST insist that while Clipper is likely to become a government standard its use by the private sector will be voluntary. However, US government procurement effectively sets standards that private industry – especially those companies that do business with the government – will be forced to follow.

Even as a standard for government computing, Clipper sets a dangerous precedent, warns Marc Rotenberg, director of the Washington office of the CPSR. "We believe that privacy protection is important for building a national communications infrastructure and Clipper does not provide that privacy."

Rotenberg is also suspicious that new laws could force private companies and individuals to provide a way for the Federal Bureau of Investigation to tap into encrypted communications systems. The FBI has been trying to gain support in Congress for the passage of the digital telephony bill, which will force companies producing communcations equipment to give easy access to FBI wire-taps.

"The government says that Clipper's use will be voluntary, but if the FBI succeeds with its digital telephony bill it could make Clipper's use mandatory," Rotenberg says.

The FBI claims that criminals using encryption technologies make it impossible for the bureau to conduct wire-taps. However, the CPSR says the agency has not yet shown that a single investigation has been hampered through criminals using encrypted communications.

The computer industry fears that such initiatives will force companies to adopt weaker data security measures than those available to foreign competitors.

While US companies are permitted to use whatever encryption technology they want, there are restrictions on the export of computer products.

"For every export order, we have to obtain special permission from the Department of Commerce," says Bill Ferguson, vice-president of sales and marketing at Semaphore. "This paperwork takes about two months to complete, even to countries in western Europe. Our competitors abroad don't have these restrictions."

The Software Publishers Association, which represents more than 1,000 US software companies, has also complained to the government that export controls on software containing encryption features are harming the software industry.

At a hearing organised in early June by the NIST, the association's general counsel, Ilene Rosenthal, testified: "Unilateral US export controls do not make any sense given the widespread legal availability of foreign encryption programs."

Digital assistant is of limited help

Apple's MessagePad is a revolutionary computer but could struggle to find a useful role, says **Louise Kehoe**

Apple Computer's Newton MessagePad "personal digital assistant" finally made its official debut this week, more than a year after John Sculley, the company's chairman, began promoting the device as the focal point for the convergence of computer, communications and consumer electronics technology.

"We believe that Newton will be seen as the defining technology of the digital age," Sculley said at the launch of the computer in Boston. He predicted a technology revolution in the 1990s that would overshadow the personal computer revolution of the 1980s.

With such a build-up it is perhaps inevitable that the Newton MessagePad will fall short of expectations, even though it is an innovative device that brings a whole new meaning to the term personal computing.

A 1lb-tablet, about the size of a video cassette, the MessagePad is operated with a pen stylus, which can be used to jot notes on a three-inch by four-inch screen or to point to icons representing specific functions.

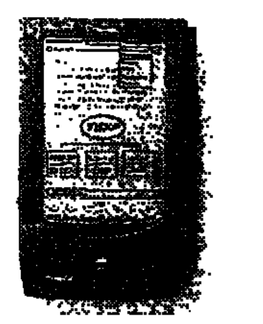
What sets the Newton apart from other hand-held or even desktop personal computers is its ability to learn a user's work habits. From the style of their handwriting to the format they like to use for business letters, their favourite lunch spot and most frequently called clients or colleagues, the MessagePad learns, over time, to adapt to its user's preferences.

Where the computer disappoints, however, is in its communications capabilities. Originally billed as a wireless personal communicator, the basic model of the MessagePad lacks even a built-in modem. Wireless communications capabilities are limited to short-range transmissions using infra-red beams. Pointed towards another MessagePad up to about three feet away, the device can send or receive messages. A suitably equipped Apple Macintosh or other PC can also exchange data with a Newton.

Apple executives suggest that such transmissions may be a good way to swap business card information with other Newton users electronically, or silently exchange thoughts with a business colleague during a meeting.

Yet this seems to be a technology that is searching for a useful application.

Wireless paging and messaging services will be available for US users of the MessagePad soon, Apple promises. With the addition of a plug-in device offered by Motorola, the MessagePad will act as a pocket pager, albeit a more bulky one than the matchbox-sized devices that many



business people wear on their belts.

With the addition of another plug-in module, the MessagePad can send – but not receive – facsimile messages when plugged into a telephone line. Newton will also have its own international electronic mail system, at "a later date". NewtonMail will be a subscriber-based, "cost-effective" service, Apple says.

Eventually, the service will be expanded to offer information services such as news, weather and financial data, although it is hard to imagine that such data could be displayed to advantage on the MessagePad's tiny screen.

The MessagePad will be available throughout the US over the next few weeks and from next month in the UK. Non-English versions will follow next year, Apple says. Prices have not been fixed but Apple expects it to sell in the US for $699-$949 (£469-£636) depending on configuration.

As with any new computer, the availability of applications software will be critical to the value of the MessagePad. Despite widespread activity among independent software developers the must-have application for the Newton has yet to emerge. Programs announced this week range from specialised systems for estate agents to titles for sports enthusiasts.

Apple has announced six of its own software titles for Newton, including interactive maps of US cities, a reference guide to the Fortune 500, the business magazine's league table of the largest US companies, and games. Most would be better suited to larger-screen laptop computers.

Who will buy the Newton MessagePad? Apple is initially targeting technology enthusiasts as well as corporate buyers who could use the device as part of their information technology systems. Coca-Cola, Monsanto and American Express are among early customers, Apple says. However, market analysts do not expect the MessagePad to be a big seller. Sales projections range from $50m to $300m over the next 12 months.

Whether or not the Newton is a hit, it has defined a new product category in the personal computing field. Already Apple is hinting at improvements to come in later versions. And, in a break with its usual practice, the company is licensing its Newton technology to other companies. Current licensees include Sharp and Matsushita Electric of Japan, and Motorola of the US.

Sharp, which is manufacturing the MessagePad for Apple, also introduced its own very similar "Expert Pad" this week. Rolm, a US telecommunications equipment subsidiary of Siemens, will be incorporating Newton technology into a new product called the NotePhone.

Eventually, Newton technology may indeed "change the world" as Apple predicts, but it is *unlikely to* be an immediate success.

LEGAL NOTICES

TENDCLASS LIMITED (IN ADMINISTRATION)
MAXWELL FINANCIAL SERVICES LIMITED (IN ADMINISTRATION)
NOTICE TO CREDITORS

On 19th March 1992, Tendclass Limited ("Tendclass") went into administration. On 12th February 1993, Maxwell Financial Services Limited ("MFS") also went into administration. Both companies are wholly-owned subsidiaries of Maxwell Communication Corporation plc (in Administration).

By a Court Order dated 27th July 1993, we, the administrators of Tendclass and MFS, were authorised to proceed with the production and implementation of schemes of arrangement under section 425 of the Companies Act 1985 (the "Schemes") between Tendclass and MFS and their respective creditors. The purpose of the Schemes will be to enable us to make distributions to creditors. Whilst the Schemes are being prepared, we have been authorised to advertise for creditors and to agree claims.

Any person claiming to be a creditor of either Tendclass or MFS should contact us as soon as possible and, in any event, by 30th September 1993 at Price Waterhouse (ref. JGP), No. 1 London Bridge, London SE1 9QL (tel. no. 071 939 5023).

Dated 5th August 1993

Andrew Mark Homan
Jonathan Guy Anthony Phillips
Colin Graham Bird
Alan Rae Dalziel Jamieson
Administrators of Tendclass Limited

Andrew Mark Homan
Jonathan Guy Anthony Phillips
Alan Rae Dalziel Jamieson
Administrators of Maxwell Financial Services Limited

Coffee futures rise as frost is forecast in Brazil

By Alison Maitland

THE LONDON coffee futures market reached higher climbs yesterday, driven by reports of a cold front heading towards southern crop-growing areas of Brazil, the world's largest producer.

Prices for robusta coffee futures, which had hit 2½-year highs on Monday, moved quickly into still higher ground. The November contract peaked at $1,138 a tonne in the morning, the highest level since trading in the dollar contract began in March 1991.

"It shows you what a real frost scare can do," said one analyst. "This is the biggest one we've seen in the past three to four years."

London initially followed an overnight rise in arabica futures in New York but eased back to close at $1,125 a tonne, up $38. New York's December arabica contract reached $2.70 cents a lb yesterday before dropping to 80.70 cents, down 1.00 in late trading.

Traders focused on a report from the National Meteorological Institute in Brasilia that frost was expected to affect Parana and Sao Paolo states early next week.

Parana accounts for under 10 per cent of the country's coffee and Sao Paolo some 15 per cent. The meteorologists told Reuters news agency it was doubtful the cold would spread to the main coffee-growing areas of Minas Gerais state, which, according to researchers at London broker E.D. & F. Man, is expected to produce 10.5m of Brazil's forecast 23m bags this year.

A slight frost hit parts of Parana last weekend, but damage to coffee trees appeared to have been limited although the market is still awaiting details.

Buying interest from roasters was reported, as the coffee trade took increasingly seriously the possibility that supplies will be restricted from October 1, when Latin American producers are due to start retaining as much as 20 per cent of their exports.

Price rises were partly self-fuelling, as market-makers covered positions as the August 17 expiry of September call (buying) options approached.

Franc rally averts 'green' currency realignment

By David Dodwell, World Trade Editor

A RALLY in the value of the French franc yesterday averted the widely-expected need for immediate realignment of the "green" currency rates used to translate the European Community's guaranteed farm prices into national currencies.

But farm trade experts warned that the past week's upheavals in the Exchange Rate Mechanism could give a new lease of life to the green currency system. "That's bad news for European agriculture reform," one said.

Experts were tentative yesterday about the likely implications for farm trade of the speculative assault on the ERM over the past week. Much will depend on whether Monday's decision by European Community finance ministers to widen the fluctuation bands of all member currencies to 15 per cent succeeds in restoring currency stability.

Signs were more encouraging last night than at any point in the past week as weaker ERM currencies made a sharp recovery as profit-taking on short positions lifted the French franc against the D-Mark. "Trading risks have increased since the ERM collapsed but there's no reason to change agrimoney rules," said one EC official.

Grain trading in Europe was paralysed at one stage this week because of uncertainty about farm prices. This will be one of the main items at a special meeting of European commissioners tomorrow.

The impact on the EC budget is expected to be minimal, though national governments may face higher budget costs in their national currencies as their contributions – denominated in Ecu – rise in line with any devaluation.

For UK farmers, it may spell the end of what one British farm spokesman called a "golden period". Since the devaluation of sterling on September 16 last year, support prices to farmers have risen by about 20 per cent in sterling terms, and enhanced competitiveness against farmers elsewhere in Europe has produced significant, but so far unquantified, export gains – particularly for sheep meat.

The procedures for adjusting green prices in line with currency fluctuations are likely to be more complex to manage. But EC officials said there was no reason to believe the system put in place in January last year to deal with the EC's five "floating currencies" – sterling, the peseta, the escudo, the drachma and the lira – could not work now it applied to all 12 EC currencies.

Adjustments will be made whenever needed in response to several triggers:

- Under a "ten day rule", under which each month is divided into three 10 day periods, any currency shift greater than 2 per cent from the central ERM rate during the last period of the month would result in the gap that opened up having to be halved.
- In parallel, any gap of more than 4 per cent appearing in a 10 day period between any two individual currencies would also trigger adjustment by one or both currencies.
- Under a "three-day rule", any gap of 6 per cent or more appearing over a three-day period would trigger action to close the gap on the fourth day. Yesterday was the first occasion on which a revision might have been needed under this rule, but as the franc rallied, gaps closed to less than 6 per cent. This rule applies on a rolling basis, so fluctuations will be calculated daily and adjustments made as needed.

At a national level, farm trade analysts predicted that French farm and food products would be likely to gain a competitive advantage on the German market as a result of any depreciation of the franc against the mark. Last year, Germany was France's main farm product and food market, importing Fr32.7bn worth of goods. Italy was just behind at Fr30.4bn.

Mine output fall clouds value of eastern Germany's Laubag

By Judy Dempsey in Berlin

THE MARKET value of Laubag, eastern Germany's largest lignite or brown coal fields, will be influenced by the continuing fall in mining production in the region, energy experts said yesterday.

Mining output in eastern Germany, including potash, fell by 9 per cent in May, compared with the previous month, and by 15 per cent for April and May, compared to the same period in 1992.

These figures, released earlier this week by the federal economics ministry, suggested the fall in energy consumption in eastern Germany had not yet bottomed out – energy consumption in eastern Germany fell 12 per cent in 1990 and a further 26 per cent in 1991.

The decline, caused by the collapse of eastern German industry, which has caused a sharp fall in energy consumption, coincided with efforts by the Treuhand, the privatisation agency for eastern German, to sell Laubag, which is in Brandenburg.

A consortium, headed by Rheinbraun, the brown coal division of RWE Energie, and which included PreussenElektra and Bayernwerk, west Germany's largest utilities, was negotiating with the Treuhand to buy the fields.

But the negotiations stalled over the Treuhand's efforts to secure guaranteed long-term annual coal delivery contracts of 57m tonnes.

Utility officials said yesterday that the consortium instead wanted "short contracts, perhaps only about three years initially, because we have no idea at what volume energy consumption will start increasing in eastern Germany over the next 20 years".

Estimates of the value of Laubag, which has an annual production of 65m-70m tonnes, range from DM1bn-DM2bn.

Significant diamond drill for Kennecott

By Bernard Simon in Toronto

TWO JOINT ventures headed by Kennecott, US subsidiary of the UK's RTZ mining group, have reported encouraging drilling results at diamond properties in Canada's North-west Territories.

Mr Chris Jennings, president of SouthernEra Resources, one of Kennecott's partners, said yesterday that the results from four kimberlite pipes were "equivalent to or even much better than many producing mines".

SouthernEra and the other junior partners hope Kennecott will help finance a bulk sampling programme, which would involve the extraction of at least 5,000 tonnes of ore from the claim sites. A SouthernEra official said the programme would cost about C$10m (£5.2m).

The latest drilling results cover two claim blocks, known as DHK and WO, located south-west of the Lac de Gras area, where another consortium led by Australia's BHP has reported a significant diamond discovery.

One drill hole on the WO block produced 42 macro-diamonds and 134 micro-diamonds from a sample of 125.3kg of ore. All the macro-diamonds are bigger than 0.5mm in diameter.

The Kennecott and BHP groups are among a large number of companies that have staked claims across a vast area of the Northwest Territories in the hope of a large diamond find. De Beers, the South African group, also has interests in the area but has not disclosed the results of its work or its intentions.

Confusion over CVRD sale

By Bill Hinchberger in Sao Paulo

INVESTORS APPEAR nonplussed by the most recent volley in what is becoming a Ping-Pong game of official comments on the possible privatisation of Brazilian mining conglomerate Companhia Vale do Rio Doce, the world's biggest iron ore exporter.

"There have been lots of rumours about Vale's privatisation, but none of them have been confirmed," said one analyst.

A high ranking official in Brazil's finance ministry stated last week that CVRD, which is 51 per cent government-owned, would be sold before President Itamar Franco's term is completed at the end of 1994.

CVRD preferential shares were among the biggest losers on the Sao Paulo Stock Exchange last week, falling by 2.2 per cent – 5.3 per cent in relation to the exchange's Ibovespa index.

The government owns 51 per cent of CVRD's total equity and 66 per cent of its ordinary shares. This allows much greater participation in the management decisions and oversight.

Despite an apparently unequivocal statement by Mr Clovis Barros Carvalho, executive secretary of the finance ministry, another ministry official said: "The official position should come out at the end of September. The rest is just talk." Other high ranking Brazilian officials have made statements in favour and against CVRD's privatisation in recent weeks. In the meantime the company remains off the formal list of state companies for sale.

Mr Francisco Gros, former Central Bank president, said: "I'm not very encouraged by statements that we're going to sell Vale do Rio Doce. That's for external consumption. We are going to have lots of statements in favour of privatisation that are going to be contradicted by the facts."

The only clear signal on the government's position was made by former finance minister Mr Eliseu Resende, who included CVRD in his personal privatisation plans before being replaced by Mr Fernando Henrique Cardoso in May.

Since March, with speculation of an impending sell off, CVRD shares have gained 30 per cent in dollar terms. Foreign interest, symbolised in a bullish recent report by London's Latinvest, appears strong despite constitutional restrictions on majority foreign ownership in Brazilian mining operations.

Mr Anastacio Ubaldino Fernandes Filho, CVRD director-vice president, said company executives have set up an internal commission to look at possible privatisation. "We are just being prepared. Nothing is formalised," he stressed.

Mr Juarez Fontana dos Santos, director of development for Paulo Abib Engenharia, a mining consultancy, said opposition to a sell-off is strong in President Franco's mineral rich home state of Minas Gerais.

Mr dos Santos, who favours privatisation, said an outcry is expected from many who question why the majority shareholder should sell a profitable company.

He said the privatisation debate may lead to the dismantling of the company, despite non-mining operations like rail transport and shipping being increasingly important for CVRD's revenues.

"Vale do Rio Doce is competitive precisely because of its synergies," he said. Piecemeal sales of subsidiaries "would cripple the company".

Democrats to delay sale of dairy boosting hormone

By Nancy Dunne in Washington

AMONG THE hundreds of provisions in the Democrat budget plan is a measure promoted by Senator Russell Feingold, a Wisconsin Democrat, to delay the sale of dairy output boosting hormone bovine somatotropin (BST) to US dairy farmers.

The measure would ban the sale of BST for 90 days, if, as expected, the synthetic hormone gets the blessings of the Food and Drug Administration this year.

The entry of BST on to the market is expected to cost the US government $15m in payments to dairy farmers, resulting from an over-supply of milk.

An aide to the senator said the US Agriculture Department would, during the 90-day ban, conduct a study about the economic effects of BST. This would give the senator time to find "a legislative solution".

The BST provision infuriated Senator John Danforth, a Missouri Republican, in whose state is the headquarters of Monsanto, the group which has spent $500m developing the product.

"This is a matter of principle in that it conveys such a very loud and clear message to America's scientific community," he said. "What it says to the scientific community is don't invest, don't play by the rules, because in the end the politicians are lurking and the politicians will get you."

Mossgas gets severe evaluation in auditor's report

By Philip Gawith in Johannesburg

MOSSGAS, South Africa's controversial R12bn (£1.77bn) synthetic fuel project, is unlikely to produce any real returns and an estimate of its gas reserves gives it a lifespan of only 10 to 14 years, according to a Deloitte and Touche report, commissioned by Mr Henry Kluever, the auditor general.

Less than two years ago the project's lifespan of Mossgas was put at 25 years.

Mossgas has been a bone of contention since the cabinet gave the provisional go-ahead for its construction, near Mossel Bay on the southern Cape coast, in February 1987. It was a strategic decision that sought to enhance South Africa's liquid fuel self-sufficiency in the face of an oil embargo against the country.

Taxpayers have long resented the costs of a project that has a spectacularly inefficient cost/output ratio compared to industry norms. This latest report is likely to prompt renewed calls for it to be abandoned.

Mr Kluever said he considered the R11bn historical cost of the project, before capitalised interest, to be a sunk cost. The investigation then focused on projected cashflows from 1993.

On a best scenario basis, the project is expected to be cash positive from 1994 until further capital expenditure is required around the turn of the century.

The estimate assumes the project will receive its revenue on an import parity basis, not the export parity basis it is currently receiving.

The import parity price, received by Sasol, the other synthetic fuel producer in South Africa, is the base price at which fuel in the country is sold.

The export parity price, which is about 8-10 cents a litre less, is the price the local oil industry receives for its exported product.

Mossgas had always assumed its product would be priced on the same basis as Sasol's, but this is being resisted by local oil companies, who wish to renegotiate the terms on which they take products from the synthetic producers.

The report concluded that if the sunk costs were excluded from an analysis, Mossgas had a future on an import parity basis. It added that the project was sensitive to relatively small external changes, such as the price received for its product determining overall revenue.

Mr Kluever said that Mossgas's potential had in fact deteriorated since last being discussed by the parliamentary joint committee on public accounts in December 1991.

Based on the best estimate scenario "it is unlikely that Mossgas will be able to fully service and repay the Central Energy Fund's foreign commercial commitments relating to Mossgas".

In spite of the report's damning conclusions, Mr Kluever said economic viability of the project should continue given other social and economic benefits that attach to its operation.

These include savings of foreign exchange, job creation and general stimulation of economic activity.

The public accounts committee was to discuss Mossgas's position later this week.

WORLD COMMODITIES PRICES

MARKET REPORT

The **GOLD** price scrambled back above $400 a troy ounce yesterday afternoon as renewed speculative buying in the US partially countered heavy sales in the morning, attributed to producers, professionals and the Chinese central bank. At the London close the price, which had dipped to $399, was quoted at $401.50 a troy ounce. The **PLATINUM** market remained firm throughout the day, supported by news that wage talks at South Africa's Impala mine were going to mediation. At London's afternoon fix the price reached a 31-month high of $419 an ounce, up $1.60. London Metal Exchange base metal prices were led higher by copper, aluminium alone defying the trend. **COPPER** absorbed early liquidation and moved ahead after August option declarations passed without any surprises and Chinese buying emerged. At the close the three months quotation was $1,949.25 a tonne, up $3. Three months **ALUMINIUM'S** $4.75 fall to $1,236.50 a tonne, was blamed on disappointment at the failure to materialise of an expected US production cut announcement. An early rise in **LEAD** triggered stop-loss buying and the price closed $7 up at $411.75.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.57-4.67u	+0.21
Brent Blend (dated)	$16.64-6.66	+0.17
Brent Blend (Sep)	$16.74-6.76	+0.15
W.T.I (1 pm est)	$17.80-7.82u	+0.06
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$190-192	-1
Gas Oil	$160-161	+1
Heavy Fuel Oil	$60-62	-0.5
Naphtha	$160-162	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$401.50	-2.15
Silver (per troy oz)♣	531.5c	-5.0
Platinum (per troy oz)	$419.0	+1.6
Palladium (per troy oz)	$144.25	+0.5
Copper (US Producer)	91.50c	-0.50
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.27m	-0.09
Tin (New York)	230.0c	+4.0
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	130.49p	+0.43*
Sheep (live weight)†♠	93.48p	+2.24*
Pigs (live weight)†	72.79p	-1.10*
London daily sugar (raw)	$264.0	+14.7
London daily sugar (white)	$288.5	+11.0
Tate and Lyle export price	£287.0	+11.0
Barley (English feed)	£107t	
Maize (US No. 3 yellow)	£169	
Wheat (US Dark Northern)	£147	
Rubber (Sep)♥	59.50p	
Rubber (Oct)♥	60.00p	
Rubber (KL RSS No 1 Jul)	207.5m	
Coconut oil (Philippines)§	$457.5v	-5
Palm Oil (Malaysian)§	$360.0t	-5.0
Copra (Philippines)§	$301	-9
Soyabeans (US)	£209	
Cotton "A" Index	55.90c	-0.50
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. z-Aug. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE			($ per tonne)	
White	Close	Previous	High/Low	
Oct	269.50	269.00	270.40	265.00
Mar	270.00	272.70	272.00	268.50
May	274.00	276.40	274.00	273.50

White 1002 (1603) Paris- White (FFr per tonne): Oct 1589.41

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Sep	16.74	16.67	16.78	16.58
Oct	16.85	16.82	16.91	16.76
Nov	16.99	16.98	17.03	16.92
Dec	17.10	17.15	17.15	17.05
Jan	17.23	17.17	17.28	17.14
Mar	17.37	17.31	17.37	
IPE Index	16.62	16.61		

Turnover 17362 (19740)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Aug	159.25	157.75	159.50	157.50
Sep	159.75	158.75	160.00	158.25
Oct	161.50	161.00	162.25	160.75
Nov	163.75	163.25	164.25	162.75
Dec	166.00	165.75	166.50	165.00
Jan	167.75	167.00	168.00	167.25
Feb	167.25	167.00	167.25	
Mar	166.00	165.25	166.00	164.75
May	164.00	163.25	163.00	

Turnover 9164 (11777) lots of 100 tonnes

WOOL
After an encouraging opening day to the new selling season last week, prices barely held steady, and ended only a fraction higher than at the close of the 1992/93 season. This week has seen the market slip further, despite reduced offerings in Melbourne due to a strike of laboratory technicians. The resumed easier tendency, after some improvement in the previous three months, is not helpful to business in related markets. The Australian market indicator on August 4 was 439c/kg, down 18 cents compared with a week ago.

COCOA – LCE			£/tonne	
	Close	Previous	High/Low	
Sep	753	760	766	752
Dec	765	775	781	764
Mar	782	790	797	780
May	792	800	806	792
Jul	801	809	815	800
Sep	809		823	810
Dec	822		835	
May	849		848	

Turnover: 6440 (4482) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 3 770.24 (766.12) 10 day average for Aug 4 761.12 (761.51)

COFFEE – LCE			$/tonne	
	Close	Previous	High/Low	
Sep	1125	1086	1138	1110
Nov	1125	1087	1138	1112
Jan	1112	1079	1130	1101
Mar	1111	1074	1128	1103
May	1103	1075	1110	1105

Turnover: 6675 (2169) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 3 Comp. daily 67.00 (66.12) 15 day average 62.29 (61.93)

POTATOES – LCE			£/tonne	
	Close	Previous	High/Low	
Apr	85.1	84.2	86.5	85.0
May	96.3		96.0	

Turnover 63 (47) lots of 20 tonnes.

SOYAMEAL – LCE			£/tonne
	Close	Previous	High/Low
Dec	177.00	176.00	177.00
Feb	178.00		178.00

Turnover 30 (20) lots of 20 tonnes.

FREIGHT – LCE			$10/Index point	
	Close	Previous	High/Low	
Sep	1356	1340	1356	1350
Oct	1400	1383	1400	1383
Nov	1408	1383	1405	1400
Jul	1270	1265	1270	
BFI	1330	1333		

Turnover 56 (77)

GRAINS – LCE			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	103.90	104.75	105.00	104.00
Nov	105.15	106.05	105.80	105.10
Jan	107.05	108.10	107.95	107.05
Mar	109.05	110.00	109.75	109.60
May	111.15	112.15	111.80	111.25
Jun	111.75		112.60	
Barley	Close	Previous	High/Low	
Sep	98.50	99.75	99.40	98.00
Nov	100.80	102.15	101.80	100.80
May	106.50	108.15	107.50	

Turnover: Wheat 477 (324), Barley 139 (114).
Turnover lots of 100 Tonnes.

PIGS – LCE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Sep	97.8	97.0	97.0
Nov	102.5	102.3	102.5

Turnover:11 (17)lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 38,765 lots	
Cash	1213-4	1218-9	1215.5/1215	1215-5.5		
3 months	1236-7	1241-1.5	1242/1235.5	1237-7.5	1236.5-6	239,429 lots
Copper, Grade A ($ per tonne)					Total daily turnover 48,294 lots	
Cash	1954-5	1946-7	1936.5/1935	1936.5-7		
3 months	1949-9.5	1946-6.5	1956/1930	1934.5-5	1955-6	219,169 lots
Lead ($ per tonne)					Total daily turnover 3,550 lots	
Cash	398.5-9.5	390-2	393.5	393.5-4		
3 months	411.5-2	404.5-5	412/407	406.5-7	412-3	24,539 lots
Nickel ($ per tonne)					Total daily turnover 3,984 lots	
Cash	4915-25	4900-10		4880-90		
3 months	4970-80	4960-5	4980/4940	4935-40	4970-80	45,522 lots
Tin ($ per tonne)					Total daily turnover 3,904 lots	
Cash	4935-45	4845-55		4895-900		
3 months	4985-90	4900-5	5020/4920	4945-50	5015-20	10,883 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 15,011 lots	
Cash	926-7	924.5-5.5	924.5/924	924-4.5		
3 months	941.5-2	941-1.5	942/939.5	939.5-40	941-2	72,877 lots

LME Closing £/$ rate:
SPOT: 1.5015 3 months: 1.4919 6 months: 1.4844 9 months: 1.4792

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	401.25-401.75	
Opening	402.35-402.75	
Morning fix	400.65	266.531
Afternoon fix	402.65	267.898
Day's high	403.50-404.00	
Day's low	399.25-399.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.64	6 months	2.66
2 months	2.63	12 months	2.70
3 months	2.63		

Silver fix	p/troy oz	US cts equiv
Spot	352.20	529.00
3 months	357.35	533.15
6 months	361.90	537.45
12 months	370.85	547.05

GOLD COINS	$ price	£ equivalent
Krugerrand	400.50-402.50	268.00-270.00
Maple leaf	413.70-416.30	-
New Sovereign	94.50-97.50	63.00-65.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1175	54	86	5	15
1200	35	69	11	22
1225	21	54	21	32
Copper (Grade A)	Calls		Puts	
1900	89	106	15	61
1950	55	80	32	84
2000	31	60	58	112
Coffee	Sep	Nov	Sep	Nov
1050	34	113	9	38
1100	49	83	24	58
1150	25	60	50	85
Cocoa	Sep	Dec	Sep	Dec
725	34	62	8	22
750	18	46	15	31
775	8	34	30	44
Brent Crude	Sep	Oct	Sep	Oct
1700	11	42	42	-
1750	3	23	-	-
1800	-	12	-	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Aug	399.2	403.4	403.1	398.9
Sep	400.1	404.4	403.0	403.0
Oct	401.2	405.5	405.8	401.0
Dec	403.3	407.6	408.0	403.1
Feb	405.4	409.7	409.7	405.0
Apr	407.4	411.7	411.1	408.2
Jun	409.5	413.8	413.7	410.0
Aug	411.5	415.9	415.0	414.5
Oct	413.6	418.1	417.0	417.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	419.6	424.7	423.5	419.0
Jan	420.3	425.6	423.5	419.5
Apr	421.3	426.6	425.0	425.0
Jul	422.1	427.4	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Aug	525.2	536.9	535.0	530.0
Sep	526.5	538.5	538.0	526.0
Oct	528.0	540.0	0	0
Dec	531.0	544.0	543.5	531.0
Jan	532.6	544.6	0	0
Mar	537.6	549.6	548.0	539.0
May	541.8	553.8	552.0	543.0
Jul	545.5	557.5	555.0	549.0
Sep	549.6	561.6	0	0
Dec	555.6	567.6	563.5	556.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	86.80	85.90	87.05	86.95
Sep	87.20	86.35	87.60	95.95
Oct	87.20	86.40	87.50	87.00
Nov	87.25	86.45	0	0
Dec	87.30	86.50	87.60	86.15
Jan	87.40	86.60	0	0
Feb	87.55	86.70	0	0
Mar	87.70	86.80	87.85	86.50
Apr	87.75	86.85	0	0
May	87.85	86.95	87.10	87.10

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Sep	17.79	17.86	17.88	17.73
Oct	18.10	18.16	18.16	18.05
Nov	18.33	18.37	18.38	18.29
Dec	18.50	18.52	18.52	18.44
Jan	18.61	18.65	18.65	18.58
Feb	18.74	18.75	18.75	18.66
Mar	18.82	18.84	18.84	18.77
Apr	18.92	18.92	0	0
May	19.00	19.00	0	0
Jun	19.00	19.07	19.05	19.02

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Sep	50.75	50.75	51.20	50.65
Oct	52.00	51.87	52.20	51.75
Nov	53.10	52.94	53.20	52.90
Dec	54.15	53.99	54.25	53.95
Jan	54.80	54.69	54.95	54.65
Feb	55.20	54.94	55.20	55.00
Mar	54.50	54.14	54.50	54.50
Apr	53.30	53.14	0	0
May	52.35	52.29	0	0
Jun	52.10	51.84	52.10	52.10

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	944	966	975	938
Dec	985	1007	1017	980
Mar	1017	1040	1045	1016
May	1035	1058	1065	1045
Jul	1055	1078	1080	1080
Sep	1075	1098	1105	1088
Dec	1098	1121	1120	1120
Mar	1119	1142	0	0
May	1137	1160	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	78.10	79.25	80.10	77.70
Dec	80.85	81.70	82.70	80.30
Mar	82.95	84.10	85.10	82.85
May	84.00	85.35	86.00	84.00
Jul	85.70	86.75	87.00	85.00
Sep	87.00	88.10	0	0
Dec	91.00	91.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	10.05	10.13	10.24	9.96
Mar	10.05	10.30	10.29	10.03
May	10.04	10.29	10.29	10.06
Jul	9.95	10.22	10.27	9.95
Oct	9.95	10.07	10.28	9.95

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	57.26	58.72	0	56.50
Dec	58.55	58.12	58.60	57.75
Mar	58.90	59.47	59.90	59.05
May	59.53	60.12	60.40	59.75
Jul	61.05	60.60	60.50	60.30
Oct	59.80	59.65	59.80	59.57
Dec	60.15	60.10	60.30	60.00

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	114.30	118.40	117.30	114.00
Nov	117.25	121.60	120.50	116.80
Jan	120.50	123.00	122.00	120.50
Mar	121.50	124.60	123.40	121.50
May	122.50	126.55	122.75	122.50
Jul	123.05	126.75	0	0
Sep	121.05	124.75	0	0
Nov	121.05	124.75	0	0
Jan	121.05	124.75	0	6

INDICES

REUTERS (Base:September 18 1931 = 100)			
Aug 4	Aug 3	mnth ago	yr ago
1651.4	1660.8	1705.6	1542.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug 3	Aug 2	mnth ago	yr ago
Spot	126.60	126.46	123.19	116.83
Futures	132.32	131.32	123.79	117.67

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Aug	697/0	706/0	709/0	696/4
Sep	696/4	706/0	708/0	695/4
Nov	696/2	708/0	709/0	695/0
Jan	698/4	708/0	711/0	698/0
Mar	700/0	710/0	712/0	700/0
May	701/2	709/6	711/4	700/0
Jul	700/4	710/2	711/0	700/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	23.94	24.34	24.38	23.92
Sep	24.04	24.44	24.48	24.03
Oct	24.16	24.57	24.55	24.15
Dec	24.40	24.81	24.80	24.37
Jan	24.49	24.86	24.85	24.48
Mar	24.53	24.92	24.90	24.53
May	24.53	24.90	24.95	24.53
Jul	24.55	24.87	24.95	24.55

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Aug	226.7	228.7	229.2	226.1
Sep	224.4	225.2	226.4	223.6
Oct	222.3	223.6	224.7	222.0
Dec	221.4	223.2	224.1	221.2
Jan	220.0	222.0	222.4	219.8
Mar	218.5	220.5	221.0	218.5
May	216.0	217.8	218.5	215.2
Jul	213.3	215.7	217.5	213.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	241/0	241/2	242/2	239/4
Dec	246/2	247/6	248/4	245/0
Mar	253/2	254/6	255/4	252/2
May	257/6	259/6	260/2	257/2
Jul	259/6	261/6	262/4	259/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	310/4	311/4	313/4	309/0
Dec	317/6	319/0	320/4	316/2
Mar	320/0	321/6	322/0	318/6
May	313/4	315/6	315/0	312/4
Jul	301/6	303/0	303/4	301/2

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	75.775	75.400	75.925	75.575
Oct	75.075	74.775	75.250	74.800
Dec	75.400	75.200	75.650	75.200
Feb	75.800	75.575	75.950	75.600
Apr	76.800	76.575	76.950	76.750
Jun	73.600	73.500	73.825	73.550

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Aug	49.575	50.100	49.850	49.175
Oct	46.350	46.425	46.400	45.750
Dec	46.600	46.775	46.760	46.075
Feb	46.375	46.550	46.500	46.050
Apr	45.100	45.200	45.250	44.900
Jun	50.150	50.100	50.200	49.750
Jul	49.050	49.050	0	48.800

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Aug	45.200	45.625	45.850	44.650
Feb	52.600	53.875	53.375	52.150
Mar	52.250	52.950	52.950	51.900
May	53.350	54.200	53.600	52.900
Jul	53.300	54.000	53.300	53.000

LONDON STOCK EXCHANGE

Losses cut back towards the close

By Terry Byland, UK Stock Market Editor

ANOTHER cut in repurchase rates by the Bundesbank steadied nerves in the UK stock market yesterday, but not enough to extend the nine-day bull run in the FT-SE 100 Index. After falling sharply in early trading, the index made a strong recovery later to close only 3.7 points off at 2,941.3. London brushed off the fall of 4 Dow points in early trading in New York.

The calmer performance in currency markets following the interest rate move in Germany appeared to underline the equity market view that, while rates will fall in Europe, the pace of such moves will be kept under control; UK rates may not move until the autumn, say analysts.

Trading volume remained *fairly* high and the recovery from the early loss of 14.2 on the Footsie featured the interest rate-related stocks which have led the latest advance in equities. The FT-SE Mid 250 Index continued to power ahead, closing 11 points up at a peak of 3,349.4. Business in non-Footsie stocks further increased, making up about 66 per cent of the day's total.

Retail, or customer, volume in equities *jumped to £1.7bn* on Tuesday and yesterday's Seaq-recorded business of 735.8m shares compared with just over 800m in the previous session.

However, turnover levels were affected yesterday by the completion of the £100m programme enacted on Tuesday by UBS. Traders commented that equity dealing was fairly quiet until *UBS* began to unravel some of the positions involved in the trading programme.

London-based securities houses remained optimistic and showered the market with advice as to which stocks to buy for recovery or on which to take profits. The banking sector, sensitive to this week's flow of trading figures from the big names, was encouraged by a substantial increase in first-half profits at Midland Bank, now part of HSBC.

Dealers said there was some signs that US investors might be returning to the pharmaceutical sector which they have been selling so heavily this year. However, yesterday's buyers could not be convincingly tracked down to transatlantic sources – unless they were acting via some Scottish funds.

There was a late run in some oil issues following suggestions from some industry analysts that crude oil prices could respond in third and fourth quarters of the year to the economic strengthening of the leading industrial nations. The stress fell on some of the oil exploration groups which are seen as leading any rebound, rather than on the blue chip shares which are seen as more closely tied to Wall Streeet's prospects.

But the evident slackening of strains in the ERM prompted profit-taking in some of the *retail* and consumer stocks which have been leading the charge in London. Kingfisher, favoured because of its French Darty interests, turned downwards and Marks and Spencer and GUS gave ground, although the latter continued to attract buy recommendations from sector analysts.

Overall, equity strategists in London remained convinced that "rate cuts favour European equities", to quote Mr John Reynolds at NatWest Securities. He advises remaining overweight in European financial markets, with the UK favoured, together with France and Spain.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	2,400	53¾	-1
Abbey National†	2,100	404	+2
Albert Fisher	6,200	65	
Allied-Lyons†	2,100	583	+6
Anglian Water†	372	498	-9
Argos	608	330	+1
Argyll Group†	3,900	320½	+½
Arjo Wiggins†	508	201	-4
Assoc. Brit. Foods†	15	483	-1
Ass. Brit. Ports	848	432	+3
BAA†	1,300	785	-8
BAT Inds†	3,800	449	-10
BET	7,000	130	+1
BICC	1,200	490	+2
BOC†	988	691	+9
BP†	4,800	303½	-3
BPB Inds.	7,500	229	
BT†	12,000	423½	-1
BT (Pt Paid)	16,000	178½	-1½
BTR†	4,700	359	+5
Bank of Scotland†	3,000	161	+1
Barclays†	3,800	502	+3
Bass†	1,400	476	-6
Blue Circle†	2,300	261	
Booker	582	410	+1
Boots†	4,800	474	+15
Bowater†	1,200	471	+2
Brit. Aerospace†	322	420	
British Airways†	22,000	339	-6
British Gas†	6,000	304½	-1½
British Land	880	385	+4
British Steel†	6,300	111¼	
Bunzl	2,800	194	
Burmah Castrol†	329	749	
Burton	8,300	78	+1
Cable & Wire.†	1,200	784	-5
Cadbury Schweppes†	1,000	474	
Calor Group	345	259	+3
Carlton Comms.†	511	763	-1
Coats Viyella†	644	245	+1
Comm. Union†	1,100	545	+2
Cookson	2,100	216½	+½
Courtaulds†	1,100	568½	+½
Dalgety	880	461	+5
De La Rue†	472	887	+2
Dixons	2,000	223	+8
Eastern Elec.	156	511	-2
East Midland Elec.	631	491	-6
Eng China Clays	49	451	+1
Enterprise Oil†	642	446	+1
Eurotunnel Units	80	488	+10
FKI	1,800	149	
Fisons	3,800	171	+1
Foreign & Col. I.T.	1,400	244	+1
Johnson Matthey	1,300	490	+2
Kingfisher†	3,300	637	-9
Kwik Save	431	675	
Ladbroke†	8,000	198	+1
Land Securities†	650	636	-4
Laporte	64	620	
Legal & General†	1,700	498	+6
Lloyds Abbey	1,300	426	+5
Lloyds Bank†	3,200	537	-5
LASMO	4,900	139	+½
London Elec.	401	508	-7
Lonrho	1,200	131	+1
Lucas	648	146	-1
MB Caradon†	1,100	298	-1
MEPC	588	465	-3
MFI	6,700	143	+3
Manweb	1,000	552	-6
Marks & Spencer†	2,400	355½	-3½
Midlands Elec.	419	522	-2
Morrison (Wm.)	581	149	+4
NFC†	1,800	249	
NatWest Bank†	4,700	509	-1
National Power†	2,000	260	-7
Next	1,800	193½	+2½
Rothmans†	655	656	-10
Ryl Bk Scotland†	1,600	293	
Royal Insurance†	4,200	339	+4
Saatchi	632	167	+1
Sainsbury†	1,600	475	-4
Scottish & New.†	832	445	-2
Scot. Hydro-Elec.†	172	352	-3
Scottish Power†	1,800	331	-3
Sears†	7,200	103½	+½
Sedgwick	758	205	-2
Seeboard	12	553	-5
Severn Trent Water†	1,300	485	-8
Shell Transport†	3,100	642½	-4½
Siebe†	812	522	-2
Slough Ests	478	230	-3
Smith (W.H.) A	1,000	444	+12
Smith & Nephew†	1,000	147½	-1
SmKl Beecham A†	737	439	-2
SmKl Beecham Uts.†	4,100	386	-3
Smiths Inds.	199	374	-1
Southern Elec.	160	516	-4
South Wales Elec.	88	568	-4
South West Water	706	514	-11
South West. Elec.	20	510	-7
Vodafone†	6,900	480	-2
Warburg (SG)†	719	764	-1
Wellcome†	1,500	877	-13
Welsh Water	174	578	-6
Wessex Water	39	588	-11
Whitbread 'A'†	585	508	
Williams Hldgs.†	384	325	-2
Willis Corroon	1,800	236	+3
Wimpey	5,500	189	+12
Wolseley†	85	628	-2
Yorkshire Elec.	385	545	-4
Yorkshire Water	254	500	-5
Zeneca†	3,300	645	+3½

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Jul 19	Aug 2	Aug 16
Option Declarations:		
Jul 29	Aug 12	Sep 2
Last Dealings:		
Jul 30	Aug 13	Sep 3
Account Day:		
Aug 9	Aug 23	Sep 13

*New time dealings may take place from two business days earlier.

Sell-off hits BA shares

SEEMINGLY good traffic figures for July from British Airways failed to impress the market and the shares fell back 6 to 339p. Hefty turnover of 22m included one block of 8m dealt at 343¾p. Transport analysts said they were worried by the load factor, which showed a year-on-year decline of 2.1 per cent. "The trend is worrying," *said one specialist*, "and has serious implications for group revenues."

BA said its growth in traffic of 11.5 per cent was the largest monthly rise this financial year and, together with a 15 per cent rise in the same period last year, represents a 25 per cent traffic increase in the past two years.

Bank success

Good results from the Midland Bank arm of HSBC provided further evidence that there was money to be made out of the turmoil within the European exchange rate mechanism and sent HSBC shares higher on a generally listless day. HSBC ordinary rose 19 to 690p, a record high, on turnover of 5m.

Analysts were taken aback by a half-year figure of £385m against £60m in the same period last year. The gains reflected a surge in earnings from Midland's treasury and dealing arm Midland Global Markets, one of London's leading foreign exchange players.

There was also a big rise in debt securities, suggesting that the bank had hedged itself succesfully against falling interest rates.

Analysts raised end of year forecasts for HSBC to between *£2.4bn and £2.9bn for the year* end. Mr John Aitken, banking analyst with UBS, said that, while fundamental doubts over the bank remained, the bank's dealing side had done very well. Although he remained a seller he raised his estimate by £400m to £2.6bn.

Hickson activity

Realisation that one institu*tion had sold a large stake in* Hickson International, the speciality chemicals group, came too late to affect the share price significantly, but dealers said some 5 per cent of the company's equity changed hands yesterday.

One institutional fund is believed to have sold its holding and after official dealing ended the SEAQ electronic dealing system showed a large *number of block trades carried* out at 204p a share and total turnover of 11m shares.

The principal shareholders are Barings, Britannic Assurance, PDFM - the UBS fund management arm, and Gartmore. The initial feeling was that PDFM had sold its 5.6 per cent holding but the fund said it had not been involved and the finger later pointed to Gartmore which in April was recorded as holding 4.1 per cent of the company. Hickson shares closed a penny lower at 213p.

Hotels optimism

Another busy day's turnover in hotel stocks was testimony to the current debate among market analysts over the timing and rate of recovery in the maligned sector. Kleinwort Benson, *in its half-yearly* review of the hotel market, published yesterday, said that enthusiasm for recovery prospects was now overriding the suspicions engendered by the suspensions earlier this year of Queens Moat Houses and Resort Hotels.

The securities house raised its forecast of room demand at UK hotels this year to 8 per cent, although it admits that room yield is likely to be flat. However, 1994 will bring room yield and trading profit per room up by 5 per cent, Kleinwort believes.

Yesterday, Forte, tipped by a number of brokers as a prime *beneficiary* of the sector's potential upturn, saw its shares advanced 3 to 216p in brisk turnover of 3.5m. Ladbroke again attracted attention because of its high yield in the face of continued talk of UK base rate *cuts*. *Dealers* reported switching between the stock and Forte. The shares ended a penny ahead at 198p in a volatile session which saw a hefty 8m traded.

There was also speculation in the market that the financial problems at Queens Moat Houses, Britain's second biggest hotel group whose shares were suspended in March, may be worse than earlier reports *had suggested. Industry* sources say that initial estimates of shareholder funds show a fall from £1bn to just £250m. One hotel analyst calculated that the implications of this for shareholders would be a share price of under 10p. The shares were suspended at 47p. There had been hopes that the group's residual value pointed to a price above 20p.

Spirits alert

In a lively spirits sector, takeover talk again stalked Invergordon and the shares raced forward 9 to 279p. The focus, as always, was on whether White and Mackay would attempt to return to the fray after its failed bid for the group – in which it bid 275p a share – two years ago. US-owned White and Mackay still *holds a 41.3 per cent stake in* Invergordon and has never discounted rebidding. Analysts said the talk was likely to intensify as Invergordon's results drew closer in early September.

There was also *renewed* talk that Highland Distilleries and IDV, Grand Metropolitan's drinks division, would finally launch their much-rumoured £100m bid for North British Distillery, an Edinburgh-based distiller of grain whisky.

North British, *an* unquoted company with 600 shareholders, announced in May that it had received a bid approach. However, despite plenty of speculation there have been no further developments. *Highland shares advanced 11 to* 339p, Grand Met 3 to 416p.

Stores produced another mixed bag, with Boots turning in a strong performance buoyed up by a positive note from Warburg. The shares jumped 15 to 474p in turnover of 4.8m. There was said to be some switching out of Kingfisher, which has recently had a strong run on the back of French rate cut hopes. The *shares shed 9 to 637p. Goldman* Sachs was rumoured to have moved from a buy to a hold.

Talk of tough trading at Northern Food's agm saw the shares slip 4¼ to 264¼p.

Second line food retailers tried some catching up. Shoprite Group added 7 to 165p, Iceland 6 to 226p and Morrison 4 to 149p.

Chemicals group BOC improved ahead of third-quar*ter results next Tuesday*. Hoare Govett is a buyer and forecasts a profit of £260m against £250m for the same period last year. The shares lifted 9 to 691p.

Reed International, whose interests range from legal and business publications to consumer magazines and local and regional newspapers, took up much of the stage in the quiet publishing sector yesterday as *the market cautiously awaited* the group's interim results, due today. These will be the first profits reported since the merger with Elsevier at the beginning of the year. Only 620,000 shares were traded with their price advancing 2 to 663p on market expectations of pre-tax profits between £267m and £275m.

Analysts admitted that they were operating in the dark as no comparison could be drawn against previous figures. But the combined group, which still maintains separate stock exchange listings, has strengthened its presence in Europe and increased its stake *in such high margin areas as* scientific publishing through the merger. Hoare Govett said that the progress of the merger and current trading conditions would prove the keys to movements in the shares today.

United Newspapers, which *has risen for two consecutive* trading days, shed 3 to 551p on modest profit taking and realisation that the overall interest rate cuts in Europe might not come as soon as the market has been expecting. News *International* continued to move up, adding a further 6 to 238p, reflecting the market's confidence in its newly-purchased stake in the fast-growing Asia.

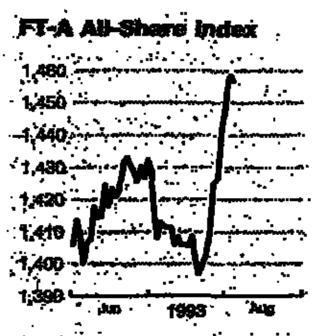
In the printing sector, news of orders from the Daily Mirror for new supplements helped Hunterprint Group gain 3 to 45p.

William Baird, the textile group, closed up 3 at 266p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Zhang Tingting.

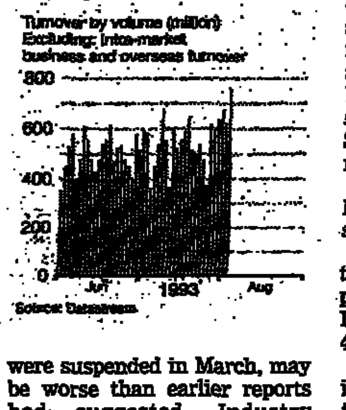
■ Other statistics, Page 15

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	Aug 4	Aug 3	Aug 2	July 30	July 29	Year ago	* High	* Low
Ordinary share	2330.3	2330.0	2329.0	2317.6	2307.8	1791.5	2330.3	2124.7
Ord. div. yield	3.95	3.96	3.97	3.98	4.00	5.10	4.52	3.95
Earning yld % full	4.71	4.71	4.73	4.74	4.76	7.29	6.38	4.71
P/E ratio net	27.18	27.16	27.08	27.00	26.89	17.31	27.18	19.40
P/E ratio nil	25.11	25.09	25.02	24.94	24.84	16.11	25.11	18.14
Gold Mines	231.1	234.2	247.3	249.2	236.8	88.9	249.2	80.0

*for 1993. Ordinary share index since compilation: high 2330.3 4/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2332.1	2326.7	2329.3	2327.0	2329.4	2330.5	2330.3	2323.4	2327.8	2332.1	2322.9

Volume	Aug 4	Aug 3	Aug 2	July 30	July 29	Year ago
SEAQ Bargains	31,027	34,220	37,700	41,728	33,145	16,313
Equity Turnover(£m)†	-	1711.1	1374.5	1725.0	1707.5	798.1
Equity Bargains†	-	39,583	42,699	45,895	38,245	19,418
Shares traded (ml)†	-	786.3	625.0	677.8	639.7	374.9

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (249).
BRITISH FUNDS (22) OTHER FIXED INTEREST (3) AMERICANS (1) Pennzoil, BANKS (7) Allied Irish, Bk. Scotland, Barclays, HSBC, HSBC (HK), NatWest, TSB, BREWERS (1) Regent Inns, BUSINESS SERVS (3) BET, Dart, Page (M), CONGLOMERATES (3) Goode Durrant, Harrisons & Crosfield, CONTG & CONSTRCN (7) Anglia Sec., Bellwinch, Bett Bros., Howden-Stuart, Laing 8.4pc Pf., NSM, Wimpey (G), ELECTRICALS (5) BICC 10¼pc Cv. '20, Delta, Merivale-Swain, Oxford Instrs., Silvermines, ELECTRONICS (1) Graseby, ENG GEN (5) Bullough, Halma, Hill & Smith, Rotork, Vosper Thornycroft, FOOD MANUF (5) Acatos & Hutcheson, Greencore, Sentry Farming, FOOD RETAILING (2) M & W, Shoprite, HEALTH & HSEHOLD (4) Maybom, Paterson Zochonis, Do N/V, Westminster H'care, HOTELS & LBS (5) Artoom 6¾pc Pf., Kunick 8¾pc Pf., Quadrant, INSCE BROKERS (3) Heath (CE), Sedgwick, Willis Corroon, INSCE COMPOSITE (4) American Intl., Commercial Union, General Accident, Royal, INV TRUSTS (91) MEDIA (2) Flextech, Reuters, MERCHANT BANKS (4) Close Bros., Kleinwort Benson, Schroders, Do N/V, MISC (4) Dudley Jenkins, ERF, Kwik-Fit, Sirdar, MOTORS (7) Appleyard, Bletchley, Caffyns, Cowie, Evans Halshaw, Lookers 8pc Pf., Sanderson Murray E, OIL & GAS (2) Coplex, Shell, OTHER FINCL (14) Aberdeen Tst., Caser Allen, Cattle's, Edinburgh Fd. Mngrs., INVESCO, Do 8pc '95-00, Jupiter Tyndall, M & G, Mercury Asset Mngmt., Oceana, Perpetual, Provident Fincl., St James Pl., Union Discount, OTHER INDLS (7) BTR, Do Wts., Do Wts. '92-93, Do '94-95, Do Wts. '95-96, Suter, Vinten, PACKG, PAPER & PRINTG (4) Gibbon Lyons, Low & Bonar, Macfarlane (C), Waddington (J), PROP (13) Allied London, Anglo St James, Asda, Do 5¼pc Pf., British Land, Brixton Est., Chesterfield, Daejan, Gt. Portland 9½pc Cv '02, London Merc. Secs. Defd., Do 7¾pc Cv, '00-05, Property Tst., Town Centre, STORES (8) Carpetright, Fine Art Devlpts., GUS, Next, Oriflame, Tie Rack, TEXTS (2) Honeysuckle, Worthington, TRANSPORT (5) Brit. Airways, Do 9¾pc Cv., Mersey Docks, Ocean, P & O 6¾pc Pf., WATER (5) Chelsea A, Do B, East Surrey, *South Staffs.*, York W'works., MINES (3) Blyvoor, Cape Range, Precious Mtls.
NEW LOWS (7).
AMERICANS (1) Bethlehem Steel, BUSINESS SERVS (1) RCO, ELECTRONICS (1) Domino Prntg., HEALTH & HSEHOLD (2) Haemocell, Intercare, MISC (1) Sinn. Business, STORES (1) Lloyds Chems. 7¾pc Pf.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in traded options rocketed yesterday, leaving Footsie futures in the shade, as one institution, optimistic for the stock market's future prospects, carried out a number of bullish trades, *writes Peter John*.

Volume in the options sector of the Liffe topped 50,000 contracts, the highest for some time, lifted by hefty put writing or selling. The writing of a put, an option giving the right but not the obligation to sell stock at a certain price and at a *fixed* time, is a more aggressive ploy than buying calls; i.e. taking up the right to buy stock at a certain price. It makes money immediately but has a high downside risk in the event of the underlying share price falling.

The top traded options were BTR with 4,434 lots, the equivalent of nearly 4.5m shares, BT with 3,641 lots and Lasmo with 2,717 contracts. The Euro Footsie contract was also very active with more than 8,500 contracts changing hands.

Meanwhile, the Footsie future contract for September delivery was almost dead in the water with only 5,760 contracts dealt. It was sharply lower for most of the day hitting 2,935, at which stage it was priced at a premium of only 3 points above the cash market.

However, a late burst of activity sent it up to 2,952 by the official close, near the high of the day and at a 10-point premium to cash compared with a fair value of 4.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2941.3 -3.7	3349.4 +11.0	1458.84 -0.09

	Aug 4	Day's change %	Aug 3	Aug 2	Jul 30	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2941.3	-0.1	2945.0	2941.7	2926.5	2392.8	3.90	5.78	21.49	57.86	1060.08
FT-SE Mid 250	3349.4	+0.3	3338.4	3335.3	3306.5	2287.2	3.61	5.82	21.30	62.68	1199.94
FT-SE Mid 250 ex Inv Trusts	3363.2	+0.3	3351.7	3347.4	3319.2	2297.0	3.71	6.23	20.10	64.15	1200.49
FT-SE-A 350	1474.1	......	1474.4	1472.8	1464.0	1155.5	3.83	5.79	21.44	28.67	1089.05
FT-SE SmallCap	1667.56	+0.2	1663.48	1659.70	1653.94	-	3.37	4.19	33.01	26.72	1249.53
FT-SE SmallCap ex Inv Trusts	1657.85	+0.3	1653.59	1650.14	1646.78	-	3.58	4.65	30.67	27.94	1243.27
FT-A ALL-SHARE	1458.84	-	1458.93	1457.25	1448.76	1138.88	3.81	5.69	21.91	28.08	1097.11
1 CAPITAL GOODS(214)	1052.41	......	1052.52	1051.89	1043.23	726.45	3.79	4.04	32.78	21.41	1235.84
2 Building Materials(28)	1117.75	......	1117.28	1117.46	1114.18	743.35	4.20	3.47	40.55	21.58	1291.91
3 Contracting, Construction(29)	970.55	+1.1	959.83	957.15	953.94	593.62	3.39	1.35	80.00†	14.25	1340.08
4 Electricals(15)	3136.79	-0.1	3140.92	3126.71	3075.71	2179.59	4.31	4.70	27.28	67.43	1264.55
5 Electronics(38)	2892.81	-1.0	2923.42	2926.06	2895.08	1907.45	2.99	5.78	21.32	62.42	1266.31
6 Engineering-Aerospace(7)	428.82	-0.4	430.59	426.46	423.16	309.20	3.44	‡	‡	6.61	1480.64
7 Engineering-General(48)	608.65	+0.1	608.06	607.18	604.14	439.99	3.56	5.01	20.80	11.23	1216.23
8 Metals & Metal Forming(10)	455.89	-0.1	456.32	461.38	460.45	280.61	2.40	‡	‡	6.37	1439.74
9 Motors(20)	441.31	+0.1	440.86	442.10	440.14	316.65	4.94	4.23	33.12	9.93	1208.71

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡		100	----	100¼	99⅞	6.00
Treas 13¾pc 1993‡‡		102⅛	-⅛	106⅛	101½	13.43
8½pc 1994		101⅞xd	----	102	101⅛	8.38
14½pc 1994‡‡		105⅛xd	----	109¼	105⅛	13.79
Exch 13½pc 1994		105⅝	----	109⅛	105⅝	12.77
Treas 10pc Ln. 1994‡‡		103⅞	----	105⅞	103⅛	9.64
Exch 12½pc 1994		107⅛xd	----	110⅛	107⅛	11.68
Treas 9pc 1994‡‡		104⅛	----	105⅞	103⅛	8.62
12pc 1995		109⅛	-⅛	111⅞	108⅛	11.01
Exch 3pc Gas 90-95		96⅞	----	96⅞	94	3.10
10¼pc 1995		108⅛	-⅛	109⅞	107⅛	9.45
Treas 12¾pc 1995‡‡		114⅞	-⅛	116⅞	113⅛	11.13
14pc 1996		118⅛	-⅛	120⅞	117⅛	11.83
15¼pc 1996‡‡		122¾	-⅛	125⅛	121⅛	12.42
Exch 13¼pc 1996‡‡		118⅛	-⅛	120⅛	116½	11.22
Conversion 10pc 1996		111⅛	-⅛	111⅞	108⅞	9.00
Treas 13¼pc 1997‡‡		120⅛	-⅛	122⅛	118⅛	10.95
Exch 10½pc 1997		112⅛xd	-⅛	113⅝	110⅛	9.30
Treas 8¾pc 1997‡‡		108⅛xd	-⅛	108⅞	105½	8.08
Exch 15pc 1997		130¼	-⅛	132⅛	127⅛	11.53
Five to Fifteen Years						
Treas 7pc 2001(£17½pd)‡‡		18¼	-⅛	18⅞	17⅞	7.05
Treas 15½pc '98‡‡		138⅛	-⅛	138⅛	133⅛	11.32
Exch 12pc 1998		121⅛	-⅛	122⅝	118⅝	9.88
Treas 9½pc 1999‡‡		112	-⅛	112½	108⅛	8.48
Exch 12¼pc 1999		122⅛	-⅛	124⅛	120⅛	9.90
Treas 10½pc 1999		116⅛	-⅛	117⅛	112⅛	9.00
Conversion 10¼pc 1999		116⅝	-⅛	117⅛	112⅛	8.81
9pc 2000‡‡		110¾xd	-⅛	110⅛	106	8.13
Treas 13pc 2000		130⅛	-⅛	131	125½	9.95
10pc 2001		115⅛xd	-⅛	115⅛	109⅛	8.63
9¾pc 2002		115⅛xd	+⅛	115⅛	108⅝	8.43

CROSSWORD

No.8,220 Set by GRIFFIN

ACROSS
1 Kitchen equipment for British bank managers (8)
5 The list said "tea cake" (6)
9 Coaxial projection screwed on in turn (8)
10 Be consistent when officer present (6)
12 Each a quarter precisely (5)
13 Grew red, since a hybrid (9)
14 *Gunners support this* weapon (6)
16 Expert marksman on late watch (7)
19 Poor cadet I left by fortress (7)
21 Cue tip badly glued on stick (6)
23 Strain leg working with figures! (9)
25 Using old copper burn scrap (5)
26 Sign dictionary he's missed (6)
27 Misplace record before show (8)
28 Bright student always 100 ahead (6)
29 Fat girl's sweetheart admitted being down (8)

DOWN
1 Swam round the base (6)
2 High-spirited divorcee ran into tube, distraught (9)
3 No Holyhead boat is dirty (5)
4 Rio, more exotic and more spacious (7)
6 A pro with fresh ideas, as previously mentioned (9)
7 *City editor imprisoned* by the French (5)
8 Machine operators in very French lead works (8)
11 Detectives after a drug (4)
15 At home study true broadcast contract (9)
17 Travelled behind chosen conductor (9)
18 Enraptured engineer stands motionless (8)
20 Arranged till providing rhythmic effect (4)
21 I introduced chess piece of soap (7)
22 Nags from Shropshire city (not Bury) (6)
24 That is roll put back in to harden (5)
25 Article in pipe is an old coin (5)

Solution 8,219

JOTTER PAD

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs.		[illegible]xd	[illegible]	[illegible]	[illegible]	13,881	2.6
Allegheny & W	♥	641p	—	652p	398p	333.1	2.9
Amdahl		358p	—	591p	[illegible]	402.0	0.9
Amer Cyanamid		[illegible]	—	[illegible]	[illegible]	3,121	3.0
Amer Express		[illegible]xd	[illegible]	[illegible]	[illegible]	10,737	2.8
Amer T & T		[illegible]	[illegible]	[illegible]	[illegible]	58,021	2.0
Ameritech		[illegible]	—	55	46	23,752	4.3
BankAmerica		[illegible]xd	[illegible]	[illegible]	[illegible]	10,198	3.0
Bankers NY		[illegible]xd	[illegible]	[illegible]	[illegible]	4,158	3.8
Bell Atlantic		[illegible]	—	[illegible]	[illegible]	16,997	4.3
BellSouth		[illegible]	—	[illegible]	[illegible]	19,294	4.5
Bethlehem Steel	♥	[illegible]xd	[illegible]	[illegible]	[illegible]	837.2	–
Bowater		1341pxd	—	1682p	1287p	485.9	1.9
CPC		[illegible]xd	[illegible]	[illegible]	[illegible]	4,870	3.0
California Engy		1232p	—	1478p	1036p	224.3	–
Chase Manhattan		[illegible]xd	[illegible]	[illegible]	[illegible]	3,365	3.5
Chrysler		[illegible]xd	[illegible]	[illegible]	[illegible]	8,529	1.3
Citicorp		[illegible]xd	[illegible]	[illegible]	[illegible]	8,087	–
Colgate–Palm		[illegible]xd	[illegible]	[illegible]	[illegible]	5,388	[illegible]
Cont'l Bank		1599p	—	1877p	[illegible]	1,815	[illegible]
Dana		[illegible]xd	[illegible]	[illegible]	[illegible]	1,680	[illegible]
Data General		541p	—	951p	541p	149.3	–
Decora Inds.	♥	120p	—	148p	109p	–	–
Dun & Brad		[illegible]	—	[illegible]	[illegible]	7,062	[illegible]
Eaton	h	[illegible]	—	[illegible]	[illegible]	2,139	[illegible]
Echlin		[illegible]xd	[illegible]	[illegible]	[illegible]	1,092	[illegible]
FPL		[illegible]xd	[illegible]	[illegible]	[illegible]	4,748	6.0
Ford Motor		[illegible]xd	[illegible]	[illegible]	[illegible]	17,795	[illegible]
Gen Elect		[illegible]xd	[illegible]	[illegible]	[illegible]	58,153	2.4
General Host	♥	558p	—	723p	[illegible]	–	4.0
Gillette		[illegible]xd	[illegible]	[illegible]	[illegible]	7,567	1.5
Hasbro		[illegible]	—	[illegible]	[illegible]	1,819	[illegible]
Honeywell		[illegible]xd	—	[illegible]	[illegible]	3,212	2.4
Houston Inds		[illegible]	—	[illegible]	[illegible]	3,982	6.1
Ingersoll–Rand		[illegible]xd	[illegible]	25	[illegible]	2,331	[illegible]
Lockheed		[illegible]	—	[illegible]	[illegible]	2,722	3.0
Loews	h	2514p	—	[illegible]	[illegible]	1,834	[illegible]
Maivy Technology		175p	—	203p	[illegible]	–	–
Merrill Lynch		[illegible]xd	[illegible]	[illegible]	[illegible]	5,896	1.3
Morgan (JP)		[illegible]xd	[illegible]	[illegible]	[illegible]	9,305	[illegible]
Morris (Philip)	$	[illegible]xd	[illegible]	[illegible]	[illegible]	27,699	[illegible]
NYNEX		[illegible]	—	[illegible]	[illegible]	12,269	4.9
Pall		[illegible]	—	15	[illegible]	1,259	1.9
Pennzoil		[illegible]xd	[illegible]	[illegible]	[illegible]	1,823	4.2
Quaker Oats		[illegible]xd	-1	[illegible]	[illegible]	3,048	2.9
Questar		171p	[illegible]	229p	[illegible]	18.0	–
Rockwell		[illegible]xd	[illegible]	[illegible]	[illegible]	4,893	2.9
Rep NY		[illegible]xd	[illegible]	[illegible]	[illegible]	1,786	2.0
Sears, Roebuck		[illegible]	[illegible]	34	[illegible]	8,758	3.0
Stheastern Bell	h	[illegible]	—	[illegible]	[illegible]	16,043	3.8
Sun Co.		[illegible]xd	[illegible]	[illegible]	[illegible]	1,906	6.3
Tenneco		[illegible]xd	—	[illegible]	[illegible]	5,537	3.1
Texaco		[illegible]xd	[illegible]	[illegible]	[illegible]	10,723	4.9
Time Warner	h	[illegible]xd	[illegible]	[illegible]	[illegible]	9,404	[illegible]
Unitab	♥	468p	—	468p	[illegible]	213.1	–
US West		[illegible]	—	[illegible]	[illegible]	13,003	4.3
Varity		2223p	—	2287p	1656p	672.2	–
WMX Technologies		[illegible]xd	[illegible]	[illegible]	[illegible]	10,330	1.8
Woolworth		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING–AEROSPACE

ENGINEERING–GENERAL

ENGINEERING–GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated seperately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xCi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT3012. (If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822) Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealings:0438-747414

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	169.9	170 6	182.5	—	2.49
Gilt & Fxd Int	5	181 0	181.0	190.6	+0.4	6.95
Intl Growth	5¼	203.8	203.6	217 8	+0 7	0.18
North American ♥	5¼	163.0	163.0xd	174.4	—	0.31
Far East	5¼	199.7	207.1xd	215.1	+0.2	0.96
UK Smaller Cos	5¼	137 9	140.2	149 9	+0.2	1.95
European	5¼	66.79	66.79xd	71.56	+1.12	0 15
Japanese Growth	5¼	49 74	49.74	52.86	-0 02	0.00
Managed P'tfolio	5¼	64.05	64.05	68.48	+0.17	1.46
High Income	5¼	177.0	177.5	189.8	-0.3	4.14

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9DG 0244 690066

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & S Inv P'tfolio	5½	139 8	140.0xd	149 7	+0.20	2.07
Do Accum	5½	156.7	156 9xd	167.8	+0.20	2.01
UK Sel P'tfolio	5½	116.1	116.8	124.9	+0.08	2.49
Do Accum	5½	131.2	132.0	141.2	+0.08	2.49

Marlborough Fund Managers Ltd (1630)F
57 Victoria Square, Bolton, BL1 1LA 0204 364842

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Tst	5	66.73	66 80	71.06	—	3.90

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI Americas Acc ♥	5½	107.44	107.72	115.21	-0.25	0.00
NPI Americas Dist ♥	5½	99 42	99.68	106.61	-0.24	0.00
NPI European Acc	5½	91.61	92.16	98.57	+0.50	0.50
NPI European Dist	5½	88.77	89.02	95.21	+0.48	0.50
NPI Far East Acc ♥	5½	155.2	156.2	167.1	+1.10	0.00
NPI Far East Dist ♥	5½	152.6	153.6xd	164.3	+1.90	0.00
NPI Global Care Acc	5½	66.09	66.44	71 06	+0.28	2.31
NPI Global Care Dist	5½	63.69	64.23	68.69	+0.29	2.31
NPI O'seas Acc	5½	1178.8	1178.1	1261.1	+4.20	0.31
NPI O'seas Dist	5½	907.7	909.6	972.8	+3.30	0.31
NPI UK Acc	5½	600.3	602.4	644.3	+0.80	2.48
NPI UK Dist	5½	315.0	316.0	338.0	+0.30	2.48
NPI UK Extra Inc Acc	5½	74.95	75.30	80.54	+0.15	4.17
NPI UK Extra Inc Dist	5½	70.30	70.64	75.55	+0.13	4.17
NPI UK Spec Opp Acc	5½	82.51	83.09	88.87	+0.22	2.33
NPI W'wide Acc	5½	94.24	94.24	100.79	+0.11	0.00
NPI W'wide Dist	5½	90.28	90.29	96.56	+0.08	0.00
NPI W'wide Inc Acc	5½	63.59	63.65	68.40	-0.04	2.66
NPI W'wide Inc Dist	5½	61.55	61.92	66.22	-0.03	2.66

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The *maximum* spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Standard Life Tst Mgmt Ltd (0730)H

State Street Unit Trust Mngmt Ltd (1400)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

INVESCO Asset Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd $

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK

Barclays Life Assur. Co Ltd

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Provident Mutual Life Assc. Assn. - Contd.

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prudential Corporate Pension Funds

55 King's Road, Reading RG1 3AH 0734 454852

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 9101

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

OFFSHORE INSURANCES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284842

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Tst. Gilt	3½	10.530	10.500xd	10.830	+0.020	7.32

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Growth Portfolio	6	£1.2097	1.2097	1.2854	-0.011	0.09
Gilt	3	£1.0225	1.0225xd	1.0543	-0.007	7.59

Prudential Fund Managers (Jersey) Ltd
PO Box 195, St Helier, Jersey 0534 70005
Prudential Currency Fd (Formerly Stanborough Currency Fd)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income (A & B)	6	212.6	212.6	223.8	—	3.45
Growth (C & D)	5	320.3	320.3	336.4	—	—

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 27441

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	56.50	56.50	58.83	-0.04	7.46

Standard Bank Fund Mngmt (Jersey) Ltd
PO Box 583, St Helier, Jersey CI 0534 67557

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Bond	5		$- 16.10	17.02	+0.06	4.52
Sterling Bond	3		£- 10.08	10.43	-0.02	[illegible]
Sterling Cap			£- 42.70	42.79	—	[illegible]

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey
TSB Offshore Investment Fund Ltd 0534 503002

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Deposit Class	3	101.72	101.72	104.77	-0.02	5.00
Gilt & Fixed Interest	3	121.57	121.67	125.44	-0.54	7.34
Blue Chip & Gilt Edged	5	82.37	82.37	85.68	-0.08	3.47
International Bond	5	139.20	139.20	146.34	+0.24	4.84
UK Equity	5	261.33	270.03	284.25	+0.84	1.52
International Equity	5	187.19	190.02	200.02	-1.09	0.34
Far Eastern	5	178.72	179.84	189.31	+0.16	0.00
European	5	136.54	138.33	143.59	+1.84	0.00
Pan American	6	378.12	383.43	403.81	-0.49	0.00

TSB Gilt Fund Ltd

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Quarterly Share	3	109.23	109.23	112.60	+0.32	7.45
Monthly Share	3	107.76	107.76	111.26	+0.32	7.55

JERSEY (REGULATED)(**)

Barclays Intl Funds
Asian Selection Funds

	Bid Price	Offer Price	+ or -	Yield Gross
China	$7.921	8.338	+0.025	0.0
Hong Kong	$28.790	30.305	-0.056	0.0
Indonesia	$10.482	11.034	+0.083	0.0
Japan	$10.178	10.714	+0.081	0.0
Korea	$11.148	11.735	-0.153	0.0
Malaysia	$20.670	21.758	+0.407	0.0
Philippines	$17.261	18.169	+0.248	0.0
Singapore	$13.088	13.777	+0.278	0.0
Thailand	$21.375	22.500	+0.258	0.0
South East Asia	$25.836	27.196	+0.179	0.0
US Dollar Liquidity	$9.571	10.050	—	0.9

Banque Scandinave a Luxembourg SA - Contd.
Scandifund International Shares

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Emerging Markets	5		$- 1.09	1.15	—	—

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4799 2890

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
IPB Deutschmark Reserve		DM-	31.88	—	—	—
IPB Sterling Reserve		£-	10.43	—	—	—
IPB Swiss Franc Reserve		SFr-	30.88	—	—	—
IPB US Dollar Reserve		$-	20.39	—	—	—
IPB European Bond		Ecu-	17.97	—	—	—
IPB North American Bond		$-	21.34	—	—	—
IPB Espana		Pta-	2939	—	—	—
IPB Europe		Ecu-	18.82	—	—	—
IPB Japan		$-	29.48	—	—	—
IPB Pacific Rim		$-	23.18	—	—	—
IPB United Kingdom		£-	11.30	—	—	—
IPB United States		$-	21.52	—	—	—

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404544
Equity Funds

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Equity	5¼		£- 0.9518d	1.012	+0.003	0.3
Intl Equity	5¼		$- 1.4928d	1.587	+0.008	0.6
North Am Eqty	5¼		$- 34.54d	36.75	+0.088	0.3
Pacific Eq	4¼		£- 6.522d	6.938	+0.051	0.5
UK Equity	3¼		£- 1.125d	1.197	+0.004	2.6

Bond Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Bond	3½		$- 95.69d	100.04	+0.24	5.3

CMI Asset Management (Luxembourg) SA
203 route d'Arlon, L-1150 Lux 010 352 458025
CMI Managed Portfolio Investment Company (a)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Safeguard Portfolio F			£- 1.282	1.365	+0.008	—
Growth Portfolio F			£- 1.164	1.249	+0.005	—
Enterprise Portfolio F			£- 1.127	1.200	+0.005	—

CMI Global Network Fund (a)

	Currency	Bid Price	+ or -	Yield Gr's
Australasian Equity	A$-	13.745	+0.071	—
Benelux Equity	DG-	22.377	+0.121	—
Canadian Equity	C$-	9.974	+0.044	—
SE Asia Equity	$-	14.016	+0.058	0.05
French Equity	FFr-	66.323	+0.125	0.94
German Equity	DM-	19.520	+0.127	—
Iberian Equity	Pta-	789	-7.00	0.01
Irish Equity	I£-	4.498	+0.026	—
Italian Equity	L-	8282	+82.0	—
Japanese Equity	Y-	1363	+2.00	—
Nordic Equity	SKr-	48.678	-0.001	—
Swiss Equity	SFr-	23.090	+0.039	—
UK Equity	£-	8.705	+0.029	1.11
US Equity	$-	14.056	+0.054	0.86
Japan Index Tracking	Y-	901	-1.00	—
UK Eqty Index Tracking	£-	5.462	+0.016	2.25
US Eqty Index Tracking	$-	12.576	-0.086	1.18
German Bond	DM-	23.015	-0.085	6.05
Japanese Bond	Y-	1689	+19.0	3.78
Swiss Bond	SFr-	22.681	+0.026	4.04
UK Bond	£-	8.735	+0.005	7.49
US Bond	$-	12.280	+0.005	6.09
Stg Currency Reserve	£-	5.029d	—	5.61
US Dlr Currency Reserve	$-	10.618d	-0.002	2.13

Commercial Union Luxembourg SA (a)

Kleinwort Benson Japanese Warrant Fund
14 rue Aldringen Luxembourg 010 352 4799-1

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
NAV			$- 7.929		—	—

Kleinwort Benson Select Fund (u)
14 Rue Aldrigen L-1118 Luxembourg 010 352 47991

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British		Ecu-	2.90	3.08	—	—
Emerging Asia		Ecu-	2.45	2.61	—	—
European		Ecu-	2.12	2.25	(z)	—
Japanese		Ecu-	2.26	2.40	—	—
Kleinwille World		FM-	17.16	18.43	—	—
North American		Ecu-	2.56	2.70	—	—
Dollar Bond		$-	2.11	2.22	(z)	—
International Bond		Ecu-	2.57	2.70	—	—
European Bond		Ecu-	3.34	3.51	(z)	—
Convertible Bond		Ecu-	2.44	2.56	—	—
Yen Bond		Y-	362.45	382.08	—	—

Latin American Securities Ltd (a)

Citicorp Investment Mgmt (Luxembourg) SA

	Bid Price	Offer Price	+ or -	Yield Gross
Super Asia Infrastructure	$12.76		+0.07	—

Clemente Korea Emerging Growth Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Jul 31	$12.21		-0.46	—

Credit Commercial de France

	Bid Price	Offer Price	+ or -	Yield Gross
Euro Sstr Cos Class A	Ecu12.81		—	—
Euro Sstr Cos Class B	Ecu12.81		—	—
Euro Prestige Cls A (u)	Ecu9.08		—	—
Euro Prestige Cls B (u)	Ecu11.56		—	—

Credit Lyonnais Rouse (Bermuda) Ltd
CLR SELECT June 30

	Bid Price	Offer Price	+ or -	Yield Gross
Diversfd US$ Tradg	$10.71		—	—
Diversfd DM Tradg	DM22.74		—	—
Diversfd FFr Tradg	FFr57.18		—	—
Diversfd A$ Tradg	A$10.75		—	—

Rosenberg Global Mngt Co SA (u)
Rosenberg Alpha Fund Global

	Bid Price	Offer Price	+ or -	Yield Gross
Portfolio A NAV	$11.[illegible]		+0.0[illegible]	—
Portfolio B NAV	$13.98		+0.08	—

Rosenberg Management SA (u)
Rosenberg Alpha Fund Yield

	Bid Price	Offer Price	+ or -	Yield Gross
Portfolio A NAV	$10.36		+0.01	—
Portfolio B NAV	$13.48		+0.07	—

Rosenberg US Japan Mngmt Co SA (u)
Rosenberg Alpha Fund US Japan

	Bid Price	Offer Price	+ or -	Yield Gross
Portfolio A NAV	$10.70			—
Portfolio B NAV	$13.67		-0.04	—

Edmond de Rothschild Group

China Investment Company

The China Invest & Development Fd Ltd

Citizens Investment Trust Mgt Co Ltd

Consultgirl Investments Ltd (Hong Kong)

[illegible]

Wells Fargo U.S. IT Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Wells Fargo A Shs (z)	$12.85		+0.02	—
Wells Fargo B Shs (z)	$14.35		+0.01	—

Worldwide Limited

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Jun 30	$80.20		—	—

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias Int US$ Acc	$1.[illegible]		—	—
Xiphias Int ECU Acc	Ecu1.[illegible]		—	—
Xiphias Int ECU Dis	Ecu1.[illegible]		—	—

Yamaichi Capital Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Thai Inv Fund	$13.[illegible]		—	—

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. a Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. G Guernsey gross. ‖ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd Ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sharp rise for French franc

THE French franc, Belgian franc and Danish krone all rose sharply against the D-Mark in European trading yesterday as the central banks of all three countries surprised currency dealers by keeping the overnight cost of borrowing very high, *writes James Blitz.*

The rush out of D-Marks into these other currencies may have been partly due to the Bundesbank's decision to cut its repo rates yesterday and today. But many dealers were clearly taken completely by surprise by the decision of these 3 countries not to cut interest rates, and, instead, to sustain their currencies and sting the speculators.

"There are a lot of people here and among our customers who do not know what is going on," said one commercial bank salesman yesterday.

The French franc was up more than 5 centimes and 1½ per cent at one stage, peaking at FFr3.4500 to the D-Mark, close to its old exchange rate mechanism floor of FFr3.4305.

It later fell back to close at FFr3.466. The sharp rise was helped by an overnight lending rate of of nearly 12 per cent.

There was little sign of the French authorities restoring the liquidity to the money market that is needed after the withdrawal of so many French francs last week.

The Belgian franc actually re-entered its old ERM bands against the D-Mark, peaking at BFr20.78 and closing at BFr20.95. The Belgian central bank said it had slashed liquidity levels in its money market rate, and overnight money was at 15 per cent.

The Danish krone also came close to re-entering its old bands, reaching DKr3.9305 to the D-Mark in the US, compared to an old floor of DKr3.9015. The Danish 1-month money rate remained at 25 per cent with the overnight cost of lending a good deal higher.

There was no official statement suggesting there had been any policy co-ordination between these 3 central banks. But several analysts said that the policies were being co-ordinated with the intention of showing that these currencies would not diverge too far from their old ERM parities.

Mr Christian Dunis, an economist at Chemical Bank, also suggested that the central banks were out to teach speculators the lesson that free floating currencies can go up as well as down.

A few dealers said that they had heard of institutions losing money on the speed of the french franc move. One influential head of foreign exchange said net market losses in the last 2 days may have been substantial.

The D-Mark's decline in the ERM helped to push the dollar up in European trading. The US currency gained more than ½ a pfennig against the D-Mark to close at DM1.7105. The US currency also edged up against the yen to close at Y104.80 from a previous Y104.40. Sterling also profited in this environment, rising ¼ pfennig on the day to close at DM2.5675.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator†
Dutch Guilder	2.19672	2.17954	-0.78	3.73	-
D-Mark	1.94964	1.93772	-0.61	3.55	-
Irish Punt	0.808628	0.804180	-0.55	3.43	4
Belgian Franc	40.2123	40.4004	0.47	2.44	-3
Portuguese Escudo	192.854	196.095	1.68	1.22	-11
Spanish Peseta	154.250	156.853	1.69	1.21	-12
French Franc	6.53883	6.69367	2.31	0.60	-19
Danish Krone	7.43679	7.65403	2.92	0.00	-20

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
†Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

£ IN NEW YORK

Aug 4	Latest	Previous Close
£ Spot	1.4990 - 1.5000	1.5000 - 1.5010
1 month	0.37-0.36pm	0.37-0.36pm
3 months	1.00-0.99pm	0.98-0.94pm
12 months	2.73-2.60pm	2.56-2.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug 4	Previous
8.30 am	81.6	81.7
9.00 am	81.7	81.7
10.00 am	81.6	81.8
11.00 am	81.6	81.5
Noon	81.7	81.9
1.00 pm	81.7	81.9
2.00 pm	81.7	81.9
3.00 pm	81.7	81.8
4.00 pm	81.7	81.8

CURRENCY RATES

Aug 4	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.929335	0.754340
US Dollar	3.00	[illegible]	[illegible]
Canadian $	2.41	[illegible]	[illegible]
Austrian Sch	6.75	[illegible]	[illegible]
Belgian Franc	6.00	[illegible]	[illegible]
Danish Krone	9.25	[illegible]	[illegible]
D-Mark	6.75	[illegible]	[illegible]
Dutch Guilder	6.75	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	9.00	[illegible]	[illegible]
Japanese Yen	2.50	[illegible]	[illegible]
Norway Krone	-	[illegible]	[illegible]
Spanish Peseta	-	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	9.26276
Swiss Franc	4.50	[illegible]	[illegible]
Greek Drach	19	N/A	[illegible]
Irish Punt	-	N/A	0.804150

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug 3

POUND SPOT - FORWARD AGAINST THE POUND

Aug 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4965 - 1.5045	1.5005 - 1.5015	0.39-0.36cpm	[illegible]	1.01-0.99pm	2.65
Canada	1.9290 - 1.9320	1.9325 - 1.9335	0.34-0.26cpm	1.92	0.89-0.78pm	1.73
Netherlands	2.8920 - 2.8940	2.8925 - 2.8935	[illegible]	-1.04	[illegible]	-0.92
Belgium	53.40 - 54.70	53.75 - 53.85	[illegible]	[illegible]	27-47dis	-2.75
Denmark	10.1200 - 10.1265	10.1225 - 10.1325	N/A	N/A	N/A	N/A
Ireland	1.0640 - 1.0650	1.0645 - 1.0655	0.01-0.05cdis	-0.34	0.05-0.09dis	-0.26
Germany	2.5650 - 2.5710	2.5650 - 2.5700	[illegible]	-1.17	[illegible]	-0.97
Portugal	257.90 - 261.50	260.60 - 261.60	145-270cdis	-9.70	379-579dis	-7.36
Spain	206.60 - 206.70	207.85 - 209.15	97-107cdis	-5.69	250-292dis	-5.21
Italy	2391.35 - 2406.25	2401.25 - 2402.25	6-8liredis	-3.50	18-21dis	-3.25
Norway	11.0390 - 11.1025	11.0725 - 11.0825	[illegible]	0.54	1-4pm	0.27
France	8.8320 - 8.9265	8.8950 - 8.9050	[illegible]	-4.21	[illegible]	-1.80
Sweden	11.9625 - 12.0950	11.9950 - 12.0050	[illegible]	[illegible]	5-7dis	-2.00
Japan	157.75 - 157.75	156.75 - 157.75	[illegible]	2.29	[illegible]	2.70
Austria	17.99 - 18.10	18.04 - 18.07	[illegible]	-0.75	[illegible]	-0.64
Switzerland	2.2560 - 2.2675	2.2575 - 2.2675	[illegible]	1.33	[illegible]	1.22
Ecu	1.3235 - 1.3440	1.3355 - 1.3365	0.25-0.35cdis	-2.74	0.50-0.53dis	-1.63

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.63-1.65pm. 12 Month 2.73-2.63pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4965 - 1.5045	1.5005 - 1.5015	0.39-0.36cpm	153.34	1.01-0.98pm	2.65
Ireland†	1.4030 - 1.4110	1.4092 - 1.4098	0.41-0.37cpm	3.32	1.06-1.01pm	2.94
Canada	1.2850 - 1.2896	1.2875 - 1.2885	0.10-0.12cdis	-1.02	0.29-0.32dis	-0.93
Netherlands	1.9180 - 1.9250	1.9225 - 1.9235	0.50-0.59cdis	-3.56	1.49-1.52dis	-3.13
Belgium	35.45 - 36.20	35.50 - 35.90	21-30cdis	-8.54	41-55dis	-5.47
Denmark	6.7360 - 6.7940	6.7450 - 6.7500	N.A	N.A	N/A	N.A
Germany	1.7055 - 1.7135	1.7100 - 1.7110	0.54-0.55pfdis	-3.92	1.50-1.52dis	-3.53
Portugal	172.40 - 173.20	172.35 - 173.05	122-142cdis	-9.57	378-403dis	-9.00
Spain	137.50 - 138.95	138.55 - 138.65	102-105cdis	-9.09	262-272dis	-7.85
Italy	1592.75 - 1600.30	1599.75 - 1600.25	8.40-9.00liredis	-6.45	22.50-23.50dis	-5.75
Norway	7.3480 - 7.3905	7.3775 - 7.3825	1.43-1.99oredis	-2.77	4.35-5.15dis	-2.57
France	5.8765 - 5.9475	5.9275 - 5.9325	3.10-3.50cdis	-6.68	6.25-6.75dis	-4.38
Sweden	7.9470 - 8.0535	7.9925 - 7.9975	3.30-3.90oredis	-5.40	9.70-10.70dis	-5.10
Japan	104.50 - 105.10	104.75 - 104.85	par-0.01ydis	-0.06	0.01pm-par	0.02
Austria	12.0030 - 12.0425	12.0150 - 12.0200	3.60-3.90grodis	-3.74	9.65-10.50dis	-3.35
Switzerland	1.5030 - 1.5115	1.5060 - 1.5070	0.20-0.22cdis	-1.67	0.53-0.56dis	-1.45
Ecu	1.1175 - 1.1265	1.1215 - 1.1225	0.50-0.49cpm	5.24	1.18-1.16pm	4.17

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY MOVEMENTS

Aug 4	Bank of England Index	Morgan** Guaranty Changes %
Sterling	81.7	-27.74
U.S. Dollar	65.7	-12.20
Canadian Dollar	93.7	-8.73
Austrian Schilling	115.4	+15.77
Belgian Franc	112.6	-2.37
Danish Krone	113.7	+7.92
D-Mark	122.5	+31.15
Swiss Franc	112.6	+22.20
Dutch Guilder	117.8	+20.74
French Franc	105.6	-9.91
Lira	80.1	-34.15
Yen	166.4	+128.64
Peseta	85.3	-34.29

Morgan Guaranty changes average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Aug 3

EURO-CURRENCY INTEREST RATES

Aug 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	5$\frac{15}{16}$ - 5$\frac{13}{16}$	5$\frac{15}{16}$ - 5$\frac{13}{16}$	5$\frac{15}{16}$ - 5$\frac{13}{16}$	5$\frac{15}{16}$ - 5$\frac{13}{16}$	5$\frac{3}{4}$ - 5$\frac{5}{8}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$
US Dollar	3$\frac{1}{8}$ - 3$\frac{1}{16}$	3$\frac{1}{8}$ - 2$\frac{7}{8}$	3$\frac{1}{8}$ - 3$\frac{1}{16}$	3$\frac{1}{4}$ - 3$\frac{1}{8}$	3$\frac{1}{2}$ - 3$\frac{3}{8}$	3$\frac{13}{16}$ - 3$\frac{11}{16}$
Can. Dollar	4$\frac{1}{4}$ - 4	4$\frac{1}{4}$ - 4	4$\frac{1}{8}$ - 3$\frac{7}{8}$	4$\frac{1}{4}$ - 4	4$\frac{1}{2}$ - 4$\frac{1}{4}$	5 - 4$\frac{3}{4}$
Dutch Guilder	6$\frac{15}{16}$ - 6$\frac{7}{8}$	6$\frac{7}{8}$ - 6$\frac{5}{8}$	6$\frac{3}{4}$ - 6$\frac{5}{8}$	6$\frac{7}{16}$ - 6$\frac{5}{16}$	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6 - 5$\frac{7}{8}$
Swiss Franc	5 - 4$\frac{3}{4}$	5 - 4$\frac{3}{4}$	4$\frac{13}{16}$ - 4$\frac{11}{16}$	4$\frac{9}{16}$ - 4$\frac{7}{16}$	4$\frac{3}{8}$ - 4$\frac{1}{4}$	4$\frac{1}{2}$ - 4$\frac{3}{8}$
D-Mark	6$\frac{7}{8}$ - 6$\frac{1}{2}$	6$\frac{7}{8}$ - 6$\frac{1}{2}$	6$\frac{3}{4}$ - 6$\frac{5}{8}$	6$\frac{9}{16}$ - 6$\frac{3}{8}$	6$\frac{3}{16}$ - 6$\frac{1}{16}$	6$\frac{1}{16}$ - 6$\frac{1}{4}$
French Franc	13 - 11	13 - 11	10$\frac{1}{4}$ - 9$\frac{1}{4}$	8$\frac{1}{4}$ - 7$\frac{1}{4}$	7$\frac{1}{4}$ - 6$\frac{1}{4}$	6$\frac{1}{4}$ - 5$\frac{3}{4}$
Italian Lira	11 - 9	9$\frac{3}{4}$ - 9$\frac{1}{4}$	9$\frac{1}{2}$ - 9	9 - 8$\frac{1}{2}$	8$\frac{7}{8}$ - 9$\frac{1}{2}$	9$\frac{3}{8}$ - 8$\frac{1}{2}$
Belgian Franc	15 - 10	14 - 10	10 - 9	8$\frac{1}{4}$ - 7$\frac{1}{4}$	7$\frac{1}{2}$ - 6$\frac{1}{2}$	7 - 6
Yen	3$\frac{1}{8}$ - 3$\frac{1}{4}$	3$\frac{3}{8}$ - 3$\frac{1}{4}$	3$\frac{3}{8}$ - 3$\frac{1}{4}$	3$\frac{1}{4}$ - 3$\frac{1}{8}$	3$\frac{3}{16}$ - 3$\frac{1}{16}$	3$\frac{1}{4}$ - 3$\frac{1}{16}$
Danish Krone	60 - 50	50 - 15	20 - 15	14 - 12	10$\frac{1}{2}$ - 9	8$\frac{3}{4}$ - 7$\frac{1}{4}$
Asian Sing.	3$\frac{1}{2}$ - 2$\frac{1}{2}$	3$\frac{1}{2}$ - 2$\frac{1}{2}$	3$\frac{1}{2}$ - 2$\frac{1}{2}$	4 - 3	4 - 3	4$\frac{1}{4}$ - 3$\frac{1}{4}$
Spanish Peseta	12 - 11$\frac{1}{4}$	12$\frac{1}{4}$ - 11$\frac{1}{2}$	11$\frac{3}{4}$ - 11$\frac{1}{2}$	10$\frac{13}{16}$ - 10$\frac{5}{8}$	10$\frac{3}{8}$ - 10$\frac{1}{8}$	9$\frac{1}{4}$ - 9$\frac{1}{16}$
Portuguese Esc.	12 - 11$\frac{1}{2}$	13$\frac{1}{4}$ - 12$\frac{1}{4}$	12$\frac{1}{16}$ - 11$\frac{13}{16}$	12 - 11	11$\frac{1}{2}$ - 11$\frac{1}{4}$	11$\frac{1}{4}$ - 10$\frac{3}{4}$

Long term Eurodollars: two years 4$\frac{1}{16}$-4$\frac{7}{16}$ per cent; three years 4$\frac{7}{8}$-4$\frac{3}{4}$ per cent; four years 5$\frac{1}{4}$-5$\frac{1}{8}$ per cent; five years 5$\frac{1}{2}$-5$\frac{1}{4}$ per cent nominal. Short term rates are call for US Dollar and Japanese Yen, others, two days' notice.

OTHER CURRENCIES

Aug 4	£	$
Argentina	1.5010 - 1.5025	0.9990 - 1.0000
Australia	2.1830 - 2.1850	1.4535 - 1.4545
Brazil	109.675 - 109.685	72.995 - 73.000
Finland	8.6245 - 8.6756	5.7875 - 5.7875
Greece	353.200 - 360.450	235.550 - 240.350
Hong Kong	11.6480 - 11.6605	7.7545 - 7.7555
Iran	2345.00 - 2355.00	1580.00 - 1590.00
Korea(Sth)	1201.15 - 1220.50	807.10 - 809.50
Kuwait	0.45200 - 0.45300	0.30120 - 0.30170
Luxembourg	53.75 - 53.85	35.90 - 35.90
Malaysia	3.8325 - 3.8400	2.5525 - 2.5535
Mexico	4.6700 - 4.6730	3.1020 - 3.1100
N.Zealand	2.7215 - 2.7245	1.9115 - 1.9135
Saudi Ar.	5.6225 - 5.6400	3.7495 - 3.7505
Singapore	2.4220 - 2.4265	1.6130 - 1.6140
S.Af (Cm)	5.0425 - 5.0535	3.3595 - 3.3510
S.Af (Fn)	6.7765 - 6.7915	4.5100 - 4.5200
Taiwan	40.40 - 40.55	26.90 - 27.00
U.A.E.	5.5005 - 5.5130	3.6715 - 3.6735

EXCHANGE CROSS RATES

Aug 4	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.501	2.568	157.3	8.900	2.263	2.888	2402	1.933	53.80	208.0	1.336
$	0.666	1	1.711	104.8	5.929	1.508	1.924	1600	1.288	35.84	138.6	0.890
DM	0.389	0.585	1	61.25	3.466	0.881	1.125	935.4	0.753	20.95	81.00	0.520
YEN	6.357	9.542	16.33	1000.	56.58	14.39	18.36	15270	12.29	342.0	1322	8.493
F Fr.	1.124	1.687	2.885	176.7	10	2.543	3.245	2699	2.172	60.45	233.7	1.501
S Fr.	0.442	0.663	1.135	69.51	3.933	1	1.276	1061	0.854	23.77	91.91	0.590
N Fl.	0.346	0.520	0.889	54.47	3.082	0.784	1	831.7	0.669	18.63	72.02	0.463
Lira	0.416	0.625	1.069	65.49	3.705	0.942	1.202	1000	0.805	22.40	86.59	0.556
C$	0.517	0.777	1.329	81.38	4.604	1.171	1.494	1243	1	27.83	107.6	0.691
B Fr.	1.859	2.790	4.773	292.4	16.54	4.206	5.368	4465	3.593	100	386.6	2.483
Pta	0.481	0.722	1.235	75.63	4.279	1.088	1.388	1155	0.929	25.87	100.	0.642
Ecu	0.749	1.124	1.922	117.7	6.662	1.694	2.162	1798	1.447	40.27	155.7	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
108	2-30	2-46	0-06	1-06
109	1-39	2-07	0-15	1-31
110	0-59	1-38	0-35	1-62
111	0-29	1-12	1-05	2-36
112	0-12	0-55	1-52	3-15
113	0-04	0-39	2-44	3-63
114	0-02	0-26	3-42	4-50
115	0-01	0-18	4-41	5-42

Estimated volume total, Calls 4300 Puts 2372
Previous day's open int. Calls 67194 Puts 56767

LIFFE EURO SWISS FRANC OPTIONS SFr 1m points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
9500	0.61	0.87	0.02	0.03
9525	0.37	0.64	0.03	0.05
9550	0.17	0.43	0.08	0.09
9575	0.06	0.26	0.22	0.17
9600	0.02	0.14	0.43	0.30
9625	0.01	0.07	0.67	0.48
9650	0	0.03	0.91	0.69
9675	0	0.01	1.16	0.92

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 2370 Puts 1040

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
9550	1.45	1.86	0.03	0.28
9600	0.99	1.48	0.07	0.40
9650	0.59	1.17	0.17	0.59
9700	0.30	0.88	0.38	0.80
9750	0.13	0.64	0.71	1.06
9800	0.05	0.47	1.13	1.39
9850	0.03	0.33	1.61	1.75
9900	0.02	0.23	2.10	2.15

Estimated volume total, Calls 11922 Puts 6532
Previous day's open int. Calls 128635 Puts 106315

LIFFE EUROMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
9275	0.72	1.33	0	0.01
9300	0.48	1.08	0.01	0.01
9325	0.26	0.85	0.04	0.03
9350	0.10	0.63	0.13	0.06
9375	0.04	0.44	0.32	0.12
9400	0.02	0.28	0.55	0.21
9425	0.01	0.17	0.79	0.35
9450	0	0.10	1.03	0.53

Estimated volume total, Calls 8234 Puts 2978
Previous day's open int. Calls 141800 Puts 118380

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
1075	1.55	2.31	0.39	1.65
1080	1.20	2.03	0.54	1.87
1085	0.90	1.77	0.74	2.11
1090	0.65	1.53	0.99	2.37
1095	0.46	1.32	1.30	2.66
1100	0.32	1.13	1.66	2.97
1105	0.21	0.97	2.05	3.31
1110	0.14	0.82	2.48	3.66

Estimated volume total, Calls 746 Puts 637
Previous day's open int. Calls 24132 Puts 18538

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Sep	Dec	Puts-settlements Sep	Dec
9375	0.52	0.94	0.01	0.04
9400	0.30	0.71	0.04	0.06
9425	0.14	0.51	0.13	0.11
9450	0.06	0.34	0.30	0.19
9475	0.03	0.21	0.52	0.31
9500	0.01	0.12	0.75	0.47
9525	0	0.06	0.99	0.66
9550	0	0.03	1.24	0.88

Estimated volume total, Calls 6235 Puts 4825
Previous day's open int. Calls 158029 Puts 89797

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT* £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	110-12	110-15	110-00	110-13
Dec	109-20	109-21	109-10	109-22

Estimated volume 38455 (54854)
Previous day's open int. 91658 (94496)

6% NOTIONAL GERMAN GOVT. BOND* DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	96.92	96.97	96.82	96.83
Dec	97.08	97.11	97.02	96.99

Estimated volume 78287 (102588)
Previous day's open int. 200002 (198990)

6% NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL) DM250,000 100ths of 100% *

	Close	High	Low	Prev
Sep	100.37	100.45	100.30	100.36
Dec	100.52			100.51

Estimated volume 3218 (5948)
Previous day's open int. 26663 (27316)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	115-15	115-30	115-13	115-24
Dec	114-09	114-25	114-09	114-19
Mar	113-12	113-14	113-10	113-16
Jun	112-08	112-15	112-08	112-18
Sep	111-19	111-19	111-16	111-19
Dec	-	-	-	110-24
Mar	-	-	-	110-00
Jun	-	-	-	109-11
Sep	-	-	-	108-25
Dec	-	-	-	108-09

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Sep	96.85	96.87	96.85	96.86
Dec	96.60	96.63	96.60	96.62
Mar	96.40	96.40	96.40	96.42
Jun	-	-	-	96.13

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.9545	0.9582	0.9519	0.9581
Dec	0.9533	0.9553	0.9530	0.9589
Mar	-	-	-	0.9611
Jun	-	-	-	0.9634

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev
Sep	0.5825	0.5839	0.5818	0.5835
Dec	0.5780	0.5782	0.5774	0.5789
Mar	-	-	-	0.5758
Jun	-	-	-	0.5736

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sep	96.62	96.64	96.62	96.63
Dec	96.19	96.21	96.19	96.20

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Aug	Sep	Oct	Dec	Puts Aug	Sep	Oct	Dec
1.425	7.61	7.55	7.71	8.12	-	0.23	0.78	1.79
1.450	5.18	5.41	5.88	6.48	0.03	0.58	1.33	2.58
1.475	2.92	3.56	4.24	5.01	0.22	1.22	2.17	3.53
1.500	1.19	2.14	2.90	3.77	0.93	2.25	3.29	4.76
1.525	0.32	1.17	1.93	2.78	2.57	3.72	4.79	6.24
1.550	0.08	0.57	1.21	2.04	4.71	5.60	6.55	7.87
1.575	0.01	0.22	0.75	1.43	7.13	7.70	8.46	9.73

Previous day's open int. Calls 705,568 Puts 615,310 (All currencies)
Previous day's volume. Calls 29,392 Puts 43,531 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	121.94	121.76	-0.18	122.08	121.64	-	187,737
December	121.40	121.24	-0.10	121.48	121.15	-	33,096
March	124.20	123.98	-0.16	124.30	124.18	-	11,706

Estimated volume 130,469 † Total Open Interest 232,539

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	93.91	93.67	-0.20	93.97	93.60	-	80,596
December	94.83	94.77	-0.05	94.85	94.73	-	53,031
March	95.14	95.08	-0.06	95.18	95.08	-	43,398
June	95.16	95.11	-0.02	95.16	95.09	-	25,006

Estimated volume 82,256 † Total Open Interest 238,982

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	† Yield	† Open int.
August	2140.0	2118.0	-9.00	2144.0	2103.0	-	48,696
September	2154.0	2129.0	-8.00	2154.0	2120.0	-	19,484
December	2186.0	2140.0	-8.00	2186.0	2160.0	-	8,165
March	2185.5	2161.0	-8.00	2185.5	2185.5	-	3,739

Estimated volume 17,976 † Total Open Interest 79,994

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	† Yield	† Open int.
September	115.34	115.72	+0.50	115.78	115.34	-	12,977

Estimated volume 3,538 † Total Open Interest 12,977

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	December	March	Puts September	December	March
118	3.74	-	-	0.01	0.21	-
119	2.73	2.61	-	0.03	0.39	-
120	1.78	1.88	-	0.07	0.64	-
121	0.94	1.26	-	0.23	1.03	
122	0.39	0.80	-	0.65	1.56	0.95
Open Int	145,080	59,490	20,635	213,407	65,064	13,795

Estimated volume 63,301 † Total Open Interest 517,471
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5010	1.4973	1.4911	1.4845	1.4742

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	8
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

DM38.1bn drained

THE Bundesbank again announced a slight easing in the cost of lending funds to commercial banks yesterday by cutting its 28-day repo rate to 7.60 per cent, *writes James Blitz.*

Yesterday's move pushed the 28 day repo below the discount rate level of 7.65 per cent, but came as no great surprise to dealers.

Call money has continued to be very low in the German money market following the vast injection of D-Marks in last Friday's intervention to support the French franc. The Bundesbank has therefore had to reduce the cost of lending to take control of the market.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The Bundesbank yesterday withdrew 38.1bn of those D-Marks in its weekly money market intervention. But that did not stop call money staying below the repo level, at around 6.65 per cent.

One sign of how easy conditions were was that some repo bids came in at 6.50 per cent.

Yesterday's moves make it quite possible that the Bundesbank will cut its discount rate at its next council meeting after the summer recess, because call money is unlikely to rise much above that official rate floor. But dealers said that a discount rate cut would have little impact and expected it to be preceded by an unchanged fixed rate repo. French franc interest rate futures fell back sharply as France's policy of keeping the overnight rate of lending very tight continued to make dealers think twice about the future path of official rates.

France, Belgium and Denmark continued to keep their money markets tight in the immediate aftermath of the relaxation of the exchange rate mechanism at the weekend. September French franc futures fell back sharply as a result, dropping 24 basis points to close at 93.67.

In sterling markets, rate cut speculation was depressed again by France's attempt to keep the cost of overnight borrowing very high. The September short sterling contract fell back 7 basis points to close at 94.26 and the December contract was unchanged at 94.66.

Three month money was unchanged at 5$\frac{13}{16}$ per cent, despite a large shortage of £1.65bn in the discount market. dealers were unhappy to offer bills amid some excitement over interest rate cuts. The overnight rate of lending was around 6 per cent for much of the day.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 4)	3 months US dollars		6 months US Dollars	
	bid 3$\frac{1}{16}$	offer 3$\frac{3}{16}$	bid 3$\frac{3}{8}$	offer 3$\frac{1}{2}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.02	Three year	4.45
Broker loan rate	5	Two month	3.00	Five year	5.19
Fed.funds	3$\frac{1}{4}$	Three month	3.15	Seven year	5.47
Fed.funds at intervention	3$\frac{1}{4}$	Six month	3.33	10-year	5.83
		One year	3.56	30-year	6.53
		Two year	4.15		

Aug 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.55-6.70	6.70-6.80	6.70-6.80	6.65-6.75	6.45-6.55	7.75
Paris	7.10-7.20	7.15-7.25	-	7.05-7.15		6.75
Zurich	4$\frac{3}{4}$-5	4$\frac{5}{8}$-4$\frac{3}{4}$	-	4$\frac{9}{16}$-4$\frac{11}{16}$	-	-
Amsterdam	7.00-7.12	6.98-7.03	-	6.80-6.88	-	-
Tokyo	3$\frac{1}{16}$-3$\frac{3}{32}$	3$\frac{1}{16}$-3$\frac{3}{32}$	-	-	-	-
Milan	9$\frac{1}{2}$-10$\frac{1}{2}$	9$\frac{1}{4}$	9$\frac{1}{16}$-		-	-
Brussels	-	9$\frac{1}{8}$-9$\frac{1}{4}$	-	7$\frac{3}{4}$-8	-	-
Dublin	5$\frac{7}{8}$-6	6$\frac{1}{8}$-6$\frac{1}{4}$	6$\frac{1}{16}$-6$\frac{3}{16}$	6-6$\frac{1}{8}$	5$\frac{13}{16}$-5$\frac{13}{16}$	-

LONDON MONEY RATES

Aug 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6$\frac{1}{8}$	5$\frac{13}{16}$	6	5$\frac{7}{8}$	5$\frac{3}{4}$	5$\frac{11}{16}$
Interbank Bid	4	5$\frac{3}{4}$	5$\frac{7}{8}$	5$\frac{1}{2}$	5$\frac{1}{2}$	5$\frac{1}{2}$
Sterling CDs	-	-	5$\frac{7}{8}$	5$\frac{13}{16}$	5$\frac{13}{16}$	5$\frac{5}{8}$
Local Authority Deps	5$\frac{3}{4}$	5$\frac{7}{8}$	5$\frac{13}{16}$	5$\frac{3}{4}$	5$\frac{11}{16}$	5$\frac{5}{8}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5$\frac{3}{4}$	5$\frac{1}{2}$	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5$\frac{7}{8}$	5$\frac{13}{16}$	5$\frac{5}{8}$	5$\frac{5}{8}$
Treasury Bills (Buy)	-	-	5$\frac{11}{16}$	5$\frac{5}{8}$	5$\frac{5}{8}$	-
Bank Bills (Buy)	-	-	5$\frac{13}{16}$	5$\frac{5}{8}$	5$\frac{1}{2}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.05	3.12	3.25	3.49
SDR Linked Dep. Offer	-	-	4$\frac{3}{8}$	4$\frac{5}{16}$	4$\frac{3}{8}$	4$\frac{3}{8}$
SDR Linked Dep. Bid	-	-	4$\frac{1}{4}$	4$\frac{3}{16}$	4$\frac{1}{4}$	4$\frac{1}{4}$
ECU Linked Dep. Offer	-	-	8$\frac{1}{8}$	7$\frac{3}{8}$	6$\frac{7}{8}$	6$\frac{1}{2}$
ECU Linked Dep. Bid	-	-	7$\frac{7}{8}$	6$\frac{7}{8}$	6$\frac{3}{4}$	6

Treasury Bills (sell): one-month 5$\frac{5}{8}$ per cent; three months 5$\frac{9}{16}$ per cent; six months 5$\frac{9}{16}$ per cent; Bank Bills (sell): one-month 5$\frac{11}{16}$ per cent; three months 5$\frac{9}{16}$ per cent; Treasury Bills: Average tender rate of discount 5.0916 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 30, 1993. Agreed rates for period Aug 25, 1993 to Sep 25, 1993 Schemes II & III: 7.26 p.c. Reference rate for period July 1, 1993 to July 30, 1993, Scheme IV&V: 6.009 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from August 1, 1993. Bank Deposit Rate for sums at 7 days notice 5$\frac{1}{8}$ p.c. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 2$\frac{1}{4}$ p.c.; one-three months 5$\frac{1}{4}$ p.c.; three-six months 5 p.c.; six-nine months 4$\frac{3}{4}$ p.c.; nine-twelve months 4$\frac{1}{2}$ p.c.; Under £100,000 2$\frac{1}{4}$ p.c. from Jan 27, 1993. Deposits withdrawn for cash 1$\frac{1}{4}$ p.c.

NOTICE OF REDEMPTION

To the Holders of

Phoenix Mutual Mortgage Funding Corporation

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close August 4

Quotations in cents unless marked $

MONTREAL

4 pm close August 4

Total Sales 38,121,829 shares

INDICES

NEW YORK

DOW JONES	Aug 3	Aug 2	July 30	July 29	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3561.27	3560.99	3539.47	3567.42	3567.70 (26/7)	3241.95 (20/1)	3567.70 (26/7/93)	41.22 (2/7/32)
Home Bonds	108.47	108.21	108.20	108.25	108.47 (3/8)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1612.10	1614.24	1613.81	1594.15	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	251.58	251.45	250.00	250.66	251.58 (3/8)	217.14 (8/1)	251.58 (3/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3588.10 (3578.32) Low 3530.81 (3524.94) (Theoretical♠)
Day's High 3565.74 (3562.39) Low 3549.81 (3536.96) (Actual♠)

STANDARD AND POOR'S

	Aug 3	Aug 2	July 30	July 29	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	449.27	450.15	448.13	450.24	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	508.55	509.45	506.95	509.51	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.23	46.23	45.88	46.33	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	249.25	249.53	248.49	249.34	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	437.29	437.88	437.00	436.59	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	709.01	707.66	704.70	707.24	712.49 (14/7)	645.87 (26/4)	712.49 (14/7/93)	54.87 (31/10/72)

	Jul 30	Jul 23	Jul 16	year ago (approx.)
Dow Industrial Div. Yield	2.88	2.93	2.95	3.07
	Jul 28	Jul 21	Jul 14	year ago (approx.)
S & P Industrial div. yield	2.59	2.55	2.52	2.68
S & P Indl. P/E ratio	25.06	25.09	25.37	29.50

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Merck	3,656,300	31⅛	+ ⅛
Chrysler	2,885,500	43⅞	- ½
Unisys Corp	2,871,800	10⅛	+ ¼
Citicorp	2,730,700	33⅛	- ⅜
RJR Nabisco	2,171,700	5	—
Gen Motors	2,164,400	49¼	- ⅜
Jhnsn & Jhnsn	1,957,300	37¼	+ ⅜
Sunshine Mining	1,864,200	3½	—
Amer Express	1,827,100	33⅝	+ ⅝
Bristol Myers	1,789,400	53⅞	+ ⅛

TRADING ACTIVITY

† Volume Millions	Aug 3	Aug 2	July 30
New York SE	254.522	229.591	250.381
Amex	16.370	15.786	18.693
NASDAQ	(u)	224.348	256.704
NYSE			
Issues Traded	2,595	2,588	2,589
Rises	1,052	1,159	921
Falls	912	776	1,010
Unchanged	631	623	638
New Highs	140	144	96
New Lows	31	27	38

CANADA

TORONTO	Aug 3	Aug 2	July 30	July 29	1993 HIGH	1993 LOW
Metals & Minerals	3006.45	(c)	2932.49	2916.27	3030.48 (2/7)	2743.31 (21/1)
Composite	3976.50	(c)	3967.20	3957.55	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1901.08	1898.10	1888.98	1888.39	1939.10 (25/6)	1730.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Aug 4	Aug 3	Aug 2	July 30	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1861.2	1855.4	1854.8	1844.0	1861.20 (4/8)	1495.00 (13/1)
All Mining (1/1/80)	900.1	898.2	904.5	882.9	904.50 (2/8)	564.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	391.98	392.53	382.58	387.55	392.53 (3/8)	300.26 (14/1)
Traded Index (2/1/91)	982.00	981.37†	950.62	948.59	982.00 (4/8)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1331.44	1342.46	1344.63	1326.36	1344.63 (2/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	326.37	326.95	326.64	316.56	326.95 (3/8)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1331.8	1319.5	1311.7	1289.7	1331.80 (4/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	573.71	572.10	572.11	559.72	573.71 (4/8)	471.24 (13/1)
CAC 40 (31/12/87)	2101.36	2110.58	2129.03	2085.83	2129.03 (2/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	725.92	710.85	701.36	701.23	725.92 (4/8)	583.92 (14/1)
Commerzbank (1/12/53)	2065.3	2020.6	1993.5	1987.4	2065.30 (4/8)	1694.30 (14/1)
DAX (30/12/87)	1860.56	1843.43	1815.08	1800.23	1860.56 (4/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7164.20	7211.83	7029.03	6988.96	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1684.80	1684.03	(c)	1647.64	1684.80 (4/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	581.84	576.51	572.81	563.43	581.84 (4/8)	446.33 (6/1)
MIB General (4/1/93)	1282.0	1270.0	1263.0	1242.0	1282.00 (4/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20497.55	20357.64	20343.53	20350.14	21076.00 (2/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1671.64	1657.22	1654.79	1659.91	1676.13 (2/6)	1250.06 (25/1)
2nd Section (4/1/68)	2229.44	2227.45	2230.95	2229.87	2394.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	781.99	777.67	763.46	766.08	781.99 (4/8)	614.25 (13/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	382.5	383.9	381.1	380.3	383.90 (3/8)	295.70 (4/1)
CBS All Shr (End 1983)	237.9	238.7	236.9	237.5	238.70 (3/8)	193.60 (12/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	868.92	867.99	871.47	865.42	871.47 (2/8)	583.95 (7/1)
PHILIPPINES						
Manila Comp (2/1/85)	1768.4	1783.30	1775.56	1791.21	1795.20 (3/8)	1270.65 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	470.12	466.19	459.26	454.19	470.12 (4/8)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2015.0♥	2024.0	2071.0	2063.0	3095.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4599.0♥	4601.0	4611.0	4525.0	4719.00 (6/7)	4000.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	730.02	721.54	719.45	730.50	777.25 (3/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	270.60	271.11	272.74	269.96	272.74 (2/8)	213.60 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1219.1	1222.2	1207.7	1203.0	1222.20 (3/8)	850.20 (13/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1043.0	1041.7	1032.4	1032.7	1046.60 (13/7)	904.80 (11/1)
SBC General (1/4/87)	836.5	834.7	824.9	824.4	836.50 (4/8)	672.70 (13/1)
TAIWAN**						
Weighted Price (30/6/66)	4048.21	3949.29	3946.56	3984.20	5013.28 (7/4)	3053.43 (6/1)
THAILAND						
Bangkok SET (30/4/75)	945.38	(c)	938.24	928.20	998.44 (25/1)	818.94 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	584.0*	582.4	579.2	578.0	584.00 (4/8)	488.60 (13/1)
Euro Top-100 (26/6/90)	1083.34	1088.19	1085.56	1086.17	1086.19 (3/8)	982.73 (12/1)

**Saturday July 31. Taiwan Weighted Price: 3960.38. Korea Comp Ex: 729.94
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, SES Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, August 4, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Express	5.2m	1,080	+10
M'bishi Kasei	5.0m	530	+19
Nikko Sec	4.6m	1,180	+50
Ashikaga Bank	3.8m	1,020	+10
Chiba Bank	3.6m	1,180	+20
Nippon Steel	3.3m	366	+9
Nikko Kyodo	2.8m	561	+5
Tokio M & F Ins	2.7m	1,310	
Nomura Sec	2.7m	2,130	+40
M'bishi T & B	2.4m	1,400	+40

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close August 4

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	675	137	13¾	13½	13½	
29⅛	13¾	A L Labs A	0.15	1.1	33	1774	16⅝	16¼	16½	+⅛
64¾	54⅝	AMP Inc	1.60	2.5	22	2247	u65½	64¼	64¼	-⅝
72¾	55½	AMR			16	2219	65⅝	64⅝	65	+¼
2¾	1¾	ARX			15	40	2½	2⅜	2½	
51½	29⅞	ASA	2.00	4.2	20	767	45⅞	46¾	46¾	-1¾
30¾	22⅝	Abbott Lab	0.68	2.7	15	7563	25⅛	25	25	
12⅝	9⅞	Abitibi Pr	0.50	4.8	4	8	10⅝	10¼	10½	+⅛
14¼	8¼	Acptmceln			225	248	13¾	13½	13½	-⅝
32	25½	ACE Ltd	0.40	1.4		411	29⅞	28⅞	28⅞	+⅜
12	10¾	ACM Gvt In	0.96	8.3		440	11⅝	11½	11½	
10	9⅛	ACM GvOpp	0.60	6.0		36	u10	9⅞	10	+⅛
9⅞	8¾	ACM Gvt Sc x	0.80	8.4		503	9½	9⅜	9½	
11⅝	10½	ACM Gvt Sc x	0.96	9.6		391	11⅛	11	11⅛	-⅛
11⅝	9⅝	ACM Msn	1.08	9.5		62	11⅜	11¼	11⅜	+⅛
9⅜	8⅝	ACM Managd	0.72	7.9		144	9⅛	9⅛	9⅛	-⅛
12⅞	7¾	Acme Cleve	0.44	4.1	14	78	10⅞	10¾	10¾	+⅛
9¼	6½	Acme Elect			254	2	7⅝	7⅝	7⅝	
24¾	18⅝	Acordia	0.44	1.8	14	294	u24⅞	24½	24⅝	+⅛
16	10⅞	Acuson			32	1207	12⅛	11¾	11⅞	-¼
22¼	19⅝	Adams Expr	0.46	2.3	1	90	20½	20⅜	20⅜	-⅛
66	45½	Ad Micro	3.00	5.3		279	56¼	55	56½	+⅞
32¾	17⅝	Ad Micro P	3.00	11.6	70	9012	25⅞	24⅞	25⅞	+⅞
7¾	5½	Advest Grp	0.16	2.8	10	21	5⅞	5¾	5¾	
24¾	16⅝	Advo Inc	0.08	0.5	18	31	16¾	d16½	16⅝	
49⅞	41⅛	Aegon ADR	2.95	6.5	9	30	46¼	45¾	45¾	-½
60	43½	Aetna Lf	2.76	4.7	40	2444	59¼	58½	58½	-⅞
14½	11½	Afil A	0.26	1.8	30	3247	14⅜	14¼	14⅜	+⅛
32¼	26⅜	Aflac	0.40	1.3	16	2230	30⅜	29⅞	30¼	+¼
22⅞	18¾	Ahmanson	0.88	4.5	25	2230	19⅞	19½	19¾	+⅛
7¾	4	Aileen Inc			7	52	5	4¾	4¾	-¼
48½	37½	Air Pr Chm	0.92	2.3	18	1949	41	40⅝	40¾	-⅛
26½	18⅛	Airbne Frt	0.30	1.4	27	670	20¾	20⅜	20¾	
35¼	18¾	Airgas Inc			39	222	35½	34¾	35⅛	+¼

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

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- P - Q -

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- R -

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Continued on next page

4 pm close August 4

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close August 4

Price data supplied by Telekurs

AMEX COMPOSITE PRICES

4 pm close August 4

AMERICA

US stocks cautious awaiting budget vote

Wall Street

US share prices eased slightly in cautious trading yesterday as markets awaited the congressional vote on President Bill Clinton's first budget package, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 4.47 at 3,556.80. The more broadly based Standard & Poor's 500 was 0.53 easier at 448.74, while the Amex composite was 0.63 lower at 436.66, and the Nasdaq composite up 2.37 at 711.38. Trading volume on the NYSE was 138m shares by 1 pm.

Trading was subdued from the start, and stocks struggled to find a direction. All eyes were on Washington DC, where President Clinton and his supporters were making final efforts to ensure that his deficit-reduction budget is passed by congress this week.

The president and leading Democrats have predicted confidently that the budget will be approved, but they expect the vote to be close.

Both stock and bond markets are of the same view, and passage of the budget has been cautiously priced into values.

However, if the budget falls at the final hurdle (and one senior Democrat senator warned yesterday that he still had misgivings about the package), investors fear that bond prices could drop sharply, triggering a major sell-off in the equities markets. It was these fears that were keeping many investors on the sidelines yesterday.

Among individual stocks, Kmart, which has been languishing near its 52-week low recently, climbed $⅞ to $21½ in volume of 3m shares after the retailer confirmed reports that it is looking for a buyer for its Pay Less drugstore operation.

Computer stocks were busy. Hewlett-Packard slumped $3 to $71¼ in busy trading after the brokerage house Smith Barney Shearson lowered its rating on the stock from "buy" to "neutral". Elsewhere in the sector, however, prices were mostly firmer, with IBM up $¾ at $44⅛, Motorola $1⅞ higher at $95⅞, Digital Equipment up $1⅛ at $37⅞ and Unisys up $¼ at $10⅞.

A broker's recommendation lifted Sears, Roebuck $1½ to $52¼ in volume of 1m shares.

On the Nasdaq market, Chiron fell $3 to $65½ as concerns about the group's recently disappointing earnings continued to plague the stock.

Quadrex Corp fell $1⅛ to $5⅛ after the nuclear power plant servicing company announced a second quarter loss of 59 cents a share and said it might sell its environmental unit.

Apple Computer rose $¾ to $29⅞ as the stock continued to benefit from the company's recently announced price cuts across its products range.

Canada

TORONTO recouped earlier losses to move higher at midday, driven by buoyant metals, transport and forestry shares

The TSE-300 index rose 8.11 to 3,984.61 in turnover of 23.14m shares valued at C$281.22m. Advances nosed ahead of declines by 271 to 270, with 263 issues steady.

Nafta talks weigh on Mexican equities

MEXICO was weaker at midsession as investors awaited the start of talks in Washington on the North American Free Trade Agreement.

The market index was down 10.16 at 1,766.89.

Sentiment was also depressed by a fall in Telefonos de Mexico, the telephone group, down 1 per cent, following a decline in its ADRs in the US.

BRAZILIAN stocks rose 2.5 per cent in early trading on bargain hunting following falls in the last few days. But by midsession the Bovespa index had lost some of its momentum and was up just 0.3 per cent at 62,743 in turnover of Cr5bn.

The market has been sensitive recently regarding talks between President Itamar Franco and congress over wages policy.

However, trading is likely to remain thin ahead of the options and futures market settlements later this month.

ASIA PACIFIC

Nikkei firms ahead of new government taking office

Tokyo

ARBITRAGE activity dominated trading as most investors remained inactive ahead of the swearing in of the new coalition government today, and share prices firmed in tandem with the futures market, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 139.91 up at 20,497.55. The index fell to the day's low of 20,298.93 on a decline in the futures prices shortly after the opening; but later rose to a high of 20,667.87 in the afternoon session.

Volume increased to 300m shares from 269m. Arbitrageurs led trading, while some financial institutions were seen shuffling portfolios. Gains led declines by 569 to 397, with 195 issues unchanged. The Topix index of all first section stocks added 14.42 at 1,671.64, and in London the ISE/Nikkei 50 index edged up 0.22 to 1,269.44.

The futures market firmed on hopes of fiscal and monetary support for an early economic recovery. Mr Jason James at James Capel said a more unstable government suggested the higher possibility of income tax cuts, since more elections would increase the importance of the ordinary voter.

Meanwhile, Dai-Ichi Mutual Life yesterday released a report assessing the level of shares in cross-shareholdings. It said that 44 per cent of total listed shares were held by stable shareholders. Taking this figure into account, Dai-Ichi reckons that the average price-earnings ratio for Japanese shares averages around 17 per cent.

Banks gained on hopes of lower interest rates. Industrial Bank of Japan advanced Y100 to Y3,490 and Dai-Ichi Kangyo Bank Y50 to Y2,440.

Mitsubishi Kasei, a chemical maker, climbed Y19 to Y520 following reports that the company had discovered an enzyme which causes Alzheimer's disease. Nikken Chemical, an affiliate of Mitsubishi Kasei, moved up Y10 to Y1,280.

Exporters saw only modest gains due to looming fears over the higher yen. Fujitsu rose Y6 to Y745 and NEC put on Y1 at Y1,000. Toyota Motor advanced Y20 to Y1,670 but Nissan Motor lost Y4 to Y709.

In Osaka, the OSE average appreciated 54.28 to 22,491.37 in volume of 17m shares, helped by buying of bio-technology and financial issues. Kyocera moved ahead Y160 to Y6,440.

Roundup

FEATURING IN the Pacific Rim were Kuala Lumpur, Taiwan and New Zealand.

KUALA LUMPUR closed at another record high as banks showed firm gains. The composite index rose 10.32 to 781.99 in volume of 247.1m shares.

Malayan Banking, the largest banking group, gained 70 cents at M$14.20, while Genting, the gaming and resorts group, added M$1.60 at M$22.

TAIWAN saw strong buying interest in paper shares push the weighted index above the 4,000 level, finishing 96.92 higher at 4,046.21. Turnover was T$18.16bn.

NEW ZEALAND featured Telecom as the market built on recent gains and established yet another three-year high. The NZSE-40 capital index put on 30.62 at 1,857.52. Telecom rose 11 cents to NZ$3.78, Fletcher Challenge improved 7 cents to NZ$2.99 and Carter Holt Harvey added 6 cents at NZ$3.21.

HONG KONG lost ground on a late round of selling. The Hang Seng index retreated 47.63 to 7,164.20 in turnover of HK$4.12bn.

HSBC Holdings, the most active stock in turnover of HK$315.6m, was finally unchanged at HK$76.

SINGAPORE was active in property stocks, with that sector's index rising by 2.3 per cent. The Straits Times Industrial index moved forward 14.50 to 1,859.08.

Shipyard issues also performed well, on a sector upgrade by some brokers.

AUSTRALIA recovered earlier losses and the All Ordinaries index was eventually 5.8 ahead at 1,861.2 in turnover of A$415m. The focus was on miner CRA, 32 cents higher at A$14.44.

SOUTH AFRICA

GOLD shares came off the day's lows on UK buying and the index finished only 9 down on balance at 2,015. The industrial index receded 2 to 4,599 but the overall index was ahead 7 at 4,131, helped by a R1.50 rise in De Beers to R86.

EUROPE

Frankfurt advances to set high for year

SENIOR bourses showed mixed fortunes yesterday, *writes Our Markets Staff.*

FRANKFURT finished at a year's high, although activity petered out late in the session, and continued through into after hour's trading.

The DAX index, which had earlier reached 1,880.15, ended 17.13 higher at 1,860.56. Turnover was DM10bn.

While banks and insurers remained firm favourites, Deutsche up DM12.50 at DM766 and Commerzbank adding DM3.50 to DM323, analysts at BHF bank in Frankfurt suggested that now is the time to take profits and switch into the construction sector. They said that construction stocks, which had underperformed the market recently, would benefit from lower interest rates, while improving prospects in east Germany suggested that the slowdown in public construction orders in the west would not hurt earnings too much.

In the sector Bilfinger & Berger was up DM14 at DM919, Hochtief DM26 at DM1,115 and Holzmann DM6 at DM965.

FT-SE Actuaries Share Indices

August 4 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1275.33	1273.81	1274.07	1271.26	1268.69	1269.03	1267.38	1268.09
FT-SE Eurotrack 200	1346.36	1344.19	1345.11	1342.80	1343.87	1342.24	1339.44	1339.61

	Aug 3	Aug 2	Jul 30	Jul 29	Jul 28
FT-SE Eurotrack 100	1261.49	1252.49	1253.91	1242.42	1238.35
FT-SE Eurotrack 200	1341.55	1347.49	1343.53	1308.99	1297.56

Base value 1000 (26/10/90) Highday 100 - 1275.41, 200 - 1345.97 Lowday 100 - 1266.81 200 - 1338.72

Elsewhere, Volkswagen, which has called an extraordinary meeting tomorrow to discuss its dispute with Opel, firmed DM6 at DM361.50.

PARIS eased further after a day's high of 2,126 in the CAC-40 index, as investors continued to indulge in profit-taking. The index closed off 9.22 at 2,101.36.

However, turnover remained good in the holiday month at FFr4.5bn.

Roussel-Uclaf surprised most analysts with better than expected first half results and the shares added FFr25 or 4.5 per cent to FFr584.

In the opposite direction Rhône-Poulenc lost FFr6.00 or 4 per cent to FFr153.50 after reiterating expectations of lower 1993 profits.

AMSTERDAM looked at Akzo's second quarter results, which were much in line with expectations, and marked the shares up 10 cents at Fl 170, but off the day's high of Fl 172.

The CBS Tendency index lost 0.1 to 122.8.

ZURICH saw an early rally run out of steam as demand dried up and the SMI index finished 0.2 higher at 2,430.7, a second consecutive all-time high close, but sharply down from the day's peak of 2,449.2.

Cyclicals continued to attract strong interest, while recently neglected insurers also remained in favour with Zurich Insurance SFr16 higher at SFr1,249 and Winterthur SFr17 ahead at 695.

MILAN found continued demand for cement and telecommunications issues which kept the Comit index, up 5.33 at 581.84, at a high for the year.

Italcementi rose L439 to L10,086 and Unicem rose L500 to L8,400 in continued reaction to the government's price liberalisation moves.

Sip gained L84 to L3,184 in very heavy volume of 24.6m shares and Sirti was L134 ahead at L9,925 on further US buying and some demand by domestic funds, keen not to miss out.

MADRID fell prey to light profit-taking in response to the weaker dollar and the general index dipped 0.51 to 270.80 in shrinking volume.

Repsol, the oil company, rose Pta45 to Pta3,505 after announcing a 6.3 per cent rise in group first half, after tax profit.

BRUSSELS eased as interest rate uncertainties and profit-taking ahead of today's settlement of the forward market account left the Bel-20 index 11.02 lower at 1,331.44 in heavy turnover of BFr1.48bn.

Delhaize, the retailer, fell BFr36 or 2.7 per cent to BFr1,290 in response to a $16.2m settlement of labour law violations by its US Food Lion unit.

ATHENS succumbed to profit-taking after Tuesday's high for the year and the general index gave up 6.87 to 878.04.

MOSCOW

THE Russian government will sell shares in three state-owned oil-related companies on August 18 in its first public privatisation offer in the oil sector, *writes Leyla Boulton in Moscow.* Mr Dmitry Skordeli, head of the All-Russian Co-ordination Centre for Voucher Auctions, said 8.3 per cent of the shares would be offered at auctions to be held simultaneously around the country. Subscriptions will remain open for two weeks. Foreigners with Moscow offices will find it easier to buy shares than non-residents as the latter are still not allowed to hold rouble bank accounts and are unable to transfer funds to pay for shares from abroad.

Foreign investors take another look at Bombay

Michael Morgan assesses the performance of the world's emerging markets last week

A resurgence of investor enthusiasm in Bombay, after Mr Narashimha Rao, the prime minister, unexpectedly survived last week's confidence vote, took the market sharply ahead and contributed to a 1.9 per cent advance in dollar terms in the Asian regional index of emerging markets.

The data, supplied by the IFC, part of the World Bank, also shows that Thailand and Manila rose strongly over the week, while Venezuela was firmly down.

The broadly-based National market index has almost halved in value over the last 15 months amid political worries and the continuing repercussions of the 1992 Mehta banking scandal. In spite of last week's gain it remains some 15 per cent down in dollar terms on the year so far.

Overseas interest has grown steadily since the market was opened to foreign investors last October, largely from new investment funds which have overcome stringent government restrictions on investments by outsiders. The latest of three to be launched in the last two months has raised $100m, mostly from UK investors. Economic growth is at 4½ per cent this year, inflation having been halved over the last two years to 6 per cent; and there is a more liberal political regime since the collapse of the Soviet Union, with which the Indian government had maintained ties.

Mr Spence notes that the market, which trades on a p/e of around 22 times prospective earnings, is still expensive by international standards; but he says that much of foreign interest is confined to medium-sized companies with a p/e of around 10 times.

Bangkok rose as individual investors, comprising the majority of the market's trade, decided that the charts looked positive. Construction, banking and finance stocks were actively bought.

Analysts say the economy has been underpinned by falling interest rates, and while investors are resigned to lower corporate profits this year, they are looking for an improvement in 1994.

Manila was also firm, the composite stock index climbing to a succession of record highs.

Mr Anton Periquet of Asia Equity in London comments that market sentiment has improved in recent weeks, as expectations have grown of an earnings recovery now that power shortages, which have beset the country in recent months, appear to have been resolved. The market has also taken a lead from strong demand by UK investors for PLDT shares traded in the US.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Jul 30 1993	Dollar terms: % Change over week	Dollar terms: % Change on Dec '92	Local currency terms: Jul 30 1993	Local currency terms: % Change over week	Local currency terms: % Change on Dec '92
Latin America							
Argentina	(11)	607.58	+0.2	+4.7	372,825.66	+0.2	[illegible]
Brazil	(44)	187.06	-0.7	+49.6	18,136,130.19	+5.7	[illegible]
Chile	(20)	410.93	+0.2	-1.8	665.49	+0.8	[illegible]
Colombia[1]	(8)	407.99	+2.5	-4.0	576.38	+2.9	[illegible]
Mexico	(59)	672.13	+1.7	-0.6	903.93	+1.6	[illegible]
Venezuela[2]	(8)	564.65	-5.6	+8.71	1,177.59	-5.1	[illegible]
East Asia							
South Korea[3]	(130)	98.18	-1.6	+0.0	104.09	-1.8	[illegible]
Philippines	(11)	163.21	+3.1	+22.2	216.04	+1.2	[illegible]
Taiwan, China[4]	(76)	82.66	-1.7	+12.0	82.76	-1.0	[illegible]
South Asia							
India[5]	(61)	79.72	+8.7	-14.9	88.16	+8.7	[illegible]
Indonesia[6]	(31)	79.57	+0.6	+35.6	90.32	+0.6	[illegible]
Malaysia	(61)	213.27	+1.3	+30.4	201.88	+1.3	[illegible]
Pakistan[7]	(8)	228.92	-2.9	+14.4	308.76	+2.8	[illegible]
Thailand	(52)	257.42	+5.0	+11.7	258.60	+4.9	[illegible]
Euro/Mid East							
Greece	(17)	227.24	+0.2	+16.4	365.84	+0.8	[illegible]
Jordan	(5)	163.62	-0.5	+40.0	234.60	-0.5	[illegible]
Portugal	(16)	89.26	-1.1	+15.7	110.26	+3.6	[illegible]
Turkey[8]	(31)	129.53	+1.7	+93.7	+688.80	+3.7	[illegible]

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1984=100 except those which are: (1)Feb 1 1991; (2)Jan 5 1990; (3)Jan 3 1992; (4)Jan 4 1991; (5)Nov 6 1992; (6)Sep 28 1990; (7)Mar 1 1991; (8)Aug 4 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Aug 3 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Aug 2 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 1993 High	1993 Low	Year ago (approx)
Australia (69)	144.44	-0.1	142.34	95.32	128.04	139.30	+0.3	3.60	144.59	143.92	95.42	128.96	138.86	144.59	117.39	141.26
Austria (17)	164.13	+4.0	161.74	108.32	145.49	145.71	+3.2	1.33	157.78	157.04	104.12	140.72	141.23	164.13	131.16	153.28
Belgium (42)	147.35	+1.6	145.20	97.23	130.61	132.09	-0.2	4.33	145.04	144.37	95.71	129.36	132.34	156.76	131.19	147.63
Canada (108)	126.18	-0.1	124.35	83.27	111.85	118.05	+0.4	2.85	126.28	125.69	83.33	112.62	117.59	130.38	111.41	127.73
Denmark (33)	220.30	+1.5	217.09	145.38	195.28	202.70	-0.3	1.11	216.98	215.98	143.20	193.52	203.26	225.64	185.11	236.44
Finland (23)	104.56	+2.4	103.03	69.00	92.68	127.87	+0.9	0.95	102.15	101.67	67.41	91.10	126.69	104.56	65.50	72.50
France (97)	158.45	+0.5	156.14	104.56	140.44	147.70	-0.7	3.10	157.64	156.91	104.03	140.59	148.68	167.36	142.72	159.19
Germany (60)	117.62	+2.3	115.91	77.63	104.26	104.26	+1.7	2.03	114.96	114.43	75.88	102.53	102.53	117.62	101.59	119.97
Hong Kong (55)	288.78	+2.4	284.57	190.57	255.99	287.46	+2.4	3.30	282.00	280.69	186.10	251.52	280.77	301.61	218.82	243.99
Ireland (15)	166.12	+3.8	163.70	109.62	147.25	166.18	+2.7	3.32	160.06	159.31	105.63	142.75	161.84	170.40	129.28	159.09
Italy (70)	71.97	+1.9	70.92	47.49	63.79	85.81	+1.3	1.89	70.62	70.29	46.60	62.98	84.73	72.82	53.78	67.07
Japan (470)	157.93	+0.1	155.63	104.22	140.01	104.22	+0.1	0.80	157.71	156.98	104.08	140.68	104.08	157.93	100.75	93.37
Malaysia (69)	355.09	+1.4	349.91	234.32	314.75	350.16	+1.3	1.94	350.23	348.61	231.12	312.36	345.58	355.09	251.66	243.38
Mexico (19)	1634.45	+1.5	1610.65	1078.62	1448.82	5563.02	+1.4	0.89	1610.91	1603.44	1063.09	1436.75	5486.42	1725.81	1410.30	1395.44
Netherland (24)	172.06	+1.2	169.55	113.55	152.52	150.58	+0.5	3.59	170.02	169.23	112.20	151.64	149.80	172.75	150.39	163.48
New Zealand (13)	55.53	+0.3	54.73	36.65	49.23	53.39	+0.4	4.18	55.39	55.13	36.55	49.40	53.19	55.77	40.56	46.43
Norway (22)	160.59	+0.0	158.25	105.98	142.36	160.81	-0.6	1.64	160.55	159.80	105.95	143.19	161.75	166.21	137.71	166.08
Singapore (38)	260.50	+2.4	256.71	171.91	230.91	193.81	+2.3	1.79	254.31	253.13	167.83	226.81	189.44	262.72	207.04	209.21
South Africa (60)	212.12	-0.6	209.03	139.98	188.02	208.86	-0.9	2.46	213.37	212.38	140.80	190.29	210.79	215.29	144.72	205.77
Spain (44)	121.84	+2.1	120.06	80.41	108.00	128.35	-0.6	4.56	119.32	118.76	78.74	106.42	129.13	132.82	115.23	141.50
Sweden (36)	179.60	+2.2	176.99	118.53	159.21	213.31	+1.3	1.58	175.69	174.88	115.95	156.70	210.55	184.06	149.70	190.77
Switzerland (50)	130.51	+1.3	128.61	86.13	115.71	121.53	+1.2	1.79	128.87	128.27	85.05	114.95	120.08	130.51	108.91	111.95
United Kingdom (218)	180.42	+1.1	177.79	119.05	159.92	177.79	+0.1	3.91	178.46	177.63	117.76	159.15	177.63	181.99	162.00	183.49
USA (520)	183.71	-0.2	181.03	121.24	162.85	183.71	-0.2	2.78	184.01	183.15	121.44	164.12	184.01	186.27	175.38	172.86
Europe (751)	149.05	+1.4	146.88	98.36	132.12	143.07	+0.4	3.12	147.03	146.35	97.03	131.14	142.46	149.05	133.92	148.63
Nordic (114)	170.35	+1.9	167.87	112.42	151.00	177.43	+0.8	1.40	167.11	166.34	110.28	149.05	176.07	171.77	142.13	175.80
Pacific Basin (714)	161.29	+0.3	158.94	106.44	142.97	110.94	+0.3	1.06	160.85	160.10	106.15	143.46	110.63	161.29	105.89	100.17
Euro-Pacific (1465)	156.14	+0.7	153.87	103.04	138.40	124.26	+0.3	1.87	155.06	154.34	102.32	138.29	123.84	156.14	117.26	119.77
North America (628)	180.13	-0.2	177.51	118.89	159.70	179.24	-0.1	2.78	180.42	179.58	119.07	160.94	179.49	182.38	171.51	170.03
Europe Ex. UK (533)	129.45	+1.6	127.56	85.44	114.77	122.78	+0.7	2.58	127.47	126.87	84.14	113.71	121.98	129.45	112.51	127.40
Pacific Ex. Japan (244)	194.94	+1.3	192.11	128.67	172.82	179.08	+1.5	3.09	192.37	191.47	126.97	171.59	176.51	194.94	152.70	167.21
World Ex. US (1652)	156.62	+0.7	154.34	103.37	138.84	126.35	+0.3	1.89	155.59	154.87	102.68	138.77	125.93	156.62	118.51	121.77
World Ex. UK (1954)	163.13	+0.3	160.75	107.66	144.61	140.77	+0.2	2.05	162.67	161.92	107.36	145.10	140.56	163.13	134.22	133.76
World Ex. So. Af. (2112)	164.44	+0.4	162.05	108.53	145.78	143.62	+0.2	2.22	163.84	163.08	108.13	146.14	143.40	164.44	137.29	137.65
World Ex. Japan (1702)	170.31	+0.5	167.83	112.41	150.99	166.38	+0.2	2.89	169.53	168.75	111.89	151.23	166.12	170.31	157.47	162.84
The World Index (2172)	164.67	+0.4	162.27	108.67	145.97	144.17	+0.1	2.22	164.08	163.32	108.29	146.35	143.96	164.67	137.32	138.06

Constituent change with effect 5/8/93: Deletion: Urbis (Spain). Latest prices were unavailable for this edition.